

ENC 1

CITY OF HANFORD

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

YEAR ENDED JUNE 30, 2009

COMB RPT
3/11/10

CONTENTS

	<u>Page</u>
Principal city officials	i
Independent auditors' report	1-2
Management's discussion and analysis	3-13
<u>FINANCIAL STATEMENTS:</u>	
Government-wide financial statements:	
Statement of net assets	14
Statements of activities and changes in net assets	15-16
Governmental fund financial statements:	
Combining balance sheet	17
Reconciliation of the governmental fund balance sheet to the government-wide statement of net assets	18
Combining statement of revenues, expenditures, and changes in fund balances	19
Reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the government-wide statement of activities	20
Proprietary fund financial statements:	
Statement of net assets	21-22
Statement of revenues, expenses, and changes in net assets	23-24
Statement of cash flows	25-28
Fiduciary funds financial statements:	
Statement of fiduciary net assets – trust and agency funds	29
Statement of changes in fiduciary net assets	30
Notes to financial statements	31-57
Required supplementary information:	
Required supplementary information	58
Schedule of funding progress	59
Schedule of revenues, expenditures, and changes in fund balances:	
Budget and actual (GAAP Basis) general fund	60
Budget and actual (GAAP Basis) CDBG home/housing fund	61
Budget and actual (GAAP Basis) capital projects	62

SUPPLEMENTARY INFORMATION SECTION:

Non-major governmental funds:	
Combining balance sheet	63
Combining statement of revenues, expenditures, and changes in fund balances	64
Non-major special revenue funds:	
Combining balance sheet	65-67
Combining statement of revenues, expenditures, and changes in fund balances	68-70
Internal service funds:	
Combining statement of net assets	71-72
Combining statement of revenues, expenses, and changes in net assets	73-74
Combining statement of cash flows	75-76

SINGLE AUDIT REPORTS:

Independent auditors' report on internal control over compliance and other matters based on an audit of financial statements performed in accordance with government auditing standards	77-78
Independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	79-80
Schedule of expenditures of federal awards	81
Notes to the schedule of expenditures of federal awards	82
Schedule of findings and questioned costs	83
Schedule of findings and recommendations	84
Summary schedule of prior audit findings	85

APPROPRIATIONS LIMIT REPORT:

Report on appropriations limit	86
Appropriations limit schedules A and B	87

CITY OF HANFORD

June 30, 2009

CITY COUNCIL

NAME

POSITION

Joaquin D. Gonzales
David G. Ayers
Marcelyn M. Buford
Dan Chin
Dave Thomas

Mayor
Vice Mayor
Council Member
Council Member
Council Member

ADMINISTRATION

Gary W. Misenhimer
Griswold, LaSalle, Cobb, Dowel & Gin, L.L.P.
Karen McAlister
Tom Dibble
Timothy Ieronimo
Thomas J. Haglund
Carlos Mestas
John Doyel
Scott Yeager
Lou Camara

City Manager
City Attorneys
City Clerk
Treasurer/Finance Director
Fire Chief
Interim Community Development Director
Police Chief
City Engineer
Recreation Director
Public Works Director



Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

February 8, 2010

The Honorable City Council of
The City of Hanford
Hanford, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the fiduciary funds of the City of Hanford, California (the City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Hanford's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information and the fiduciary funds of the City of Hanford, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a separate report dated February 8, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The *management's discussion and analysis, schedule of funding progress, and required budgetary comparison* information as listed in the accompanying table of contents are not a required part of the City's basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we have not audited the information and express no opinion on it.

City of Hanford
February 8, 2010
Page 2

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Hanford, California's basic financial statements. The combining and individual non-major fund financial statements identified in the table of contents, where applicable, are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Hanford, California. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sampson, Sampson and Partners, LLP

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009

This discussion and analysis of the City of Hanford's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with the accompanying basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- Assets of the City of Hanford exceed its liabilities at the close of the most recent fiscal year 2009 by about \$287.5 million. Of this amount, about \$48.4 million in unrestricted assets may be used to meet the City's ongoing obligations to citizens and creditors.
- As of June 30, 2009, the City's governmental funds reported combined ending fund balances of \$54.3 million.
- Approximately 26.6% of the combined fund balances is considered available for spending at the City's discretion.
- As of June 30, 2009, unreserved fund balance in the General Fund was \$8.8 million, or 41.9% of total General Fund Expenditures.
- The City's total debt decreased by \$4.63 million during the fiscal year 2009, which is due to the normal maturity of debt in the general fund, the water system, and the wastewater system; and additional debt in the general fund where internal borrowing occurred for interim financing of the vocational training facility project.

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Hanford (City) and its component units, using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

These **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statements present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. Additionally, certain eliminations have occurred as prescribed by the GASB statements in regards to inter-fund activity, payables and receivables.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

The **Fund Financial Statements** include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach.

OVERVIEW OF THE FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets report information about the City as a whole and about its activities. These statements included all assets and liabilities of the City using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Other factors to consider are changes in the City's property tax base and sales tax base.

The Statement of Net Assets and the Statement of Activities and Changes in Net Assets, we separate the City activities as follows:

Governmental activities – Most of the City's basic services are reported in this category, including General Government, Police, Fire, Public Works, Parks/Recreation, and Community Development. Property and sales taxes, user fees, interest income, franchise fees, and state and federal shared revenues and grants generally financed these activities.

Business-Type activities – The City charges a fee to customers to cover all or most of the cost of certain services it provides. The City's Water, Sewer, Storm Drain, Refuse, Airport, Intermodal, and Courthouse Square Funds are reported in this category.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

FUND FINANCIAL STATEMENTS

The City, like other state and local governments, uses fund accounting to account for a number of funding sources and activities. In general, fund accounting provides a mechanism for separately accounting for a variety of different funding sources, and enables the City to demonstrate compliance with legal and/or contractual requirements that may be associated with these funds. Thus, the accompanying fund financial statements present individual funds, organized into one of three groups based on the nature of the activities and their purpose: Governmental, Proprietary or Fiduciary Funds. Note that the fund financial statements only present the most significant (or "major") funds. In addition, the fund financial statements include a schedule that reconciles the fund financial statements to the Government-Wide Financial Statements. This is designed to explain the difference created by the integrated approach.

Governmental Funds – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences between the results shown in the governmental fund financial statements and those shown in the government-wide financial statements are explained in a reconciliation schedule following each governmental fund financial statement.

Proprietary Funds – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Fund Net Assets. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities – such as the City's self-insurance, fleet maintenance, and computer maintenance funds. The internal service funds are reported with governmental activities in the government-wide financial statements.

Fiduciary Funds – The City is the trustee, or fiduciary, for certain funds held on behalf of various third parties. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statement – The notes to the financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain “required supplementary information” concerning the City’s progress in funding its obligation to provide pension benefits to its employees, budgetary comparison schedules for the general fund and other major funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model required by Governmental Accounting Standards Board (GASB) Statement No. 34. The City is presenting prior fiscal years’ data for the purpose of providing comparative information for the Management Discussion and Analysis (MD&A).

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City of Hanford, assets exceeded liabilities by \$287,483,088 at the close of the most recent fiscal year.

By far the largest portion of the City of Hanford’s net assets 69% reflects its investment in capital assets (e.g., land, buildings, machinery, infrastructure and equipment), less any outstanding debt used to acquire those assets. The City of Hanford uses these capital assets to provide services to citizens; consequently, their value is not available for future spending. Although the City of Hanford’s investment in its capital assets is reported net of related debt, it should be noted that the sources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Of the total current assets \$72,406,834 approximately 93% \$67,023,119 consists of cash and investments. These funds are invested in accordance with State law and the City’s investment policy, and includes funds legally and/or contractually restricted as to their use.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Assets:						
Current assets	\$ 46,515,214	\$ 42,696,427	\$ 25,891,620	\$ 28,274,977	\$ 72,406,834	\$ 70,971,404
Capital and non-current assets (net of depreciation)	<u>158,903,131</u>	<u>159,895,755</u>	<u>106,005,116</u>	<u>102,557,218</u>	<u>264,908,247</u>	<u>262,452,973</u>
Total assets	<u>205,418,345</u>	<u>202,592,182</u>	<u>131,896,736</u>	<u>130,832,195</u>	<u>337,315,081</u>	<u>333,424,377</u>
Liabilities:						
Current and other liabilities	2,334,170	2,847,313	2,999,083	3,008,332	8,333,253	5,855,645
Long-term liabilities	<u>1,665,880</u>	<u>1,702,629</u>	<u>42,832,860</u>	<u>44,332,767</u>	<u>44,498,740</u>	<u>46,035,396</u>
Total liabilities	<u>4,000,050</u>	<u>4,549,942</u>	<u>45,831,943</u>	<u>47,341,099</u>	<u>52,831,993</u>	<u>51,891,041</u>
Net Assets:						
Invested in capital assets, net of related debt	137,097,186	135,730,707	61,925,813	57,246,900	199,022,999	192,977,607
Restricted	39,448,426	39,926,791	604,794	601,120	40,053,220	40,527,911
Unrestricted	<u>24,872,683</u>	<u>22,384,742</u>	<u>23,534,186</u>	<u>25,643,076</u>	<u>48,406,869</u>	<u>48,027,818</u>
Total net assets	<u>\$201,418,295</u>	<u>\$198,042,240</u>	<u>\$ 86,064,793</u>	<u>\$ 83,491,096</u>	<u>\$287,483,088</u>	<u>\$281,533,336</u>

An additional portion of the City of Hanford's net assets \$40,053,220 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$48,406,869 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Hanford is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities. This means the City has sufficient current assets to satisfy both its current and long-term liabilities, fulfill its obligations pursuant to external restriction imposed on City assets, and still have assets remaining for discretionary spending. In short, the City is in excellent financial condition.

Statement of Activities

As discussed earlier, the Statement of Net Assets provides a measure of the financial health of an entity at a specific date in time (usually year end). The Statement of Activities provides details of how net assets changed from the beginning of the year to the end of the year, and whether net assets increased or decreased. Thus, it indicates whether the City as a whole is better off at June 30, 2009 than it was at June 30, 2008.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

STATEMENT OF ACTIVITIES

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
REVENUES:						
Program revenues:						
Charges for services	\$ 3,144,575	\$ 5,321,099	\$18,236,819	\$18,521,333	\$ 21,381,394	\$ 23,842,432
Operating grants and contributions	1,413,360	2,644,385			1,413,360	2,644,385
Capital grants and contributions	3,506,846	12,254,312	406,052	2,490,463	3,912,898	14,744,775
General revenues:						
Taxes	19,438,848	19,803,833			19,438,848	19,803,833
Investment earnings	1,771,318	2,242,563	454,750	989,149	2,226,068	3,231,712
Other revenues	486,505	397,670	662,091	1,191,356	1,148,596	1,589,026
TOTAL REVENUES	<u>29,761,452</u>	<u>42,663,862</u>	<u>19,759,712</u>	<u>23,192,301</u>	<u>49,521,164</u>	<u>65,856,163</u>
EXPENSES:						
Governmental activities:						
General government	1,701,728	1,686,043			1,701,728	1,686,043
Public safety	13,634,896	10,901,549			13,634,896	10,901,549
Public works	7,372,121	8,034,994			7,372,121	8,034,994
Recreation	2,126,540	1,590,229			2,126,540	1,590,229
Community development	2,510,249	1,571,562			2,510,249	1,571,562
Interest on long-term debt	48,817	64,730			48,817	64,730
Business-type activities:						
Water system			4,602,403	4,143,898	4,602,403	4,143,898
Wastewater system			5,429,918	5,517,735	5,429,918	5,517,735
Storm drain			933,443	611,532	933,443	611,532
Refuse			5,442,252	6,000,668	5,442,252	6,000,668
Airport			435,043	333,367	435,043	333,367
Intermodal			97,294	99,627	97,294	99,627
Courthouse square			276,569	288,660	276,569	288,660
TOTAL EXPENSES	<u>27,394,351</u>	<u>23,849,107</u>	<u>17,216,922</u>	<u>16,995,487</u>	<u>44,611,273</u>	<u>40,844,594</u>
Increase in net assets before transfers	2,367,101	18,814,755	2,542,790	6,196,814	4,909,891	25,011,569
Transfers	<u>(30,907)</u>	<u>(18,903)</u>	<u>30,907</u>	<u>18,903</u>		
Change in net assets	2,336,194	18,795,852	2,573,697	6,215,717	4,909,891	25,011,569
Net assets, beginning of year, restated	<u>199,082,101</u>	<u>179,246,388</u>	<u>83,491,096</u>	<u>77,275,379</u>	<u>282,573,197</u>	<u>256,521,767</u>
Net assets, end of year	<u>\$201,418,295</u>	<u>\$198,042,240</u>	<u>\$86,064,793</u>	<u>\$83,491,096</u>	<u>\$287,483,088</u>	<u>\$281,533,336</u>

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

The City's revenue totaled \$49,521,164, with 43% generated from charges for services and 39% generated from taxes. The largest source of revenues in Governmental Activities comes from taxes at 65%. This is typical in that traditional services provided by a city, such as public safety, parks, recreation, and public works, are primarily funded from property, sales, transient occupancy, and other local taxes. The largest source of revenues in Business-Type Activities comes from charges for services at 92%. The Business-Type Activities include enterprise fund operations, such as Water, Sewer, Refuse, Airport and Intermodal Funds, all of which recover their costs through fees and charges just like a normal business.

Expenses of the City totaled \$44,611,273. The two largest categories of expense are public safety, which accounted for 31% of total costs and public works, which represents 16% of total costs. However, in relation to total Governmental Activity expenses, public safety makes up 50% of the total.

As depicted in the Statement of Activities, net assets increased during the year. In those funds included within the Governmental Activities category, net assets increased by \$ 2,336,194 an increase of 1.0%. Net assets also increased in those funds included within the Business-Type Activities category by \$2,573,697, or 3.0%.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As previously noted, the City of Hanford uses fund accounting to demonstrate compliance with legal and contractual requirements. This section provides an analysis and discussion of individual funds and fund types presented in the financial statements.

Governmental Funds – The Focus of the City of Hanford's governmental funds is on short-term inflows and outflows and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At June 30, 2009, the City's governmental statement of activities reported total ending net assets of \$201,418,295 an increase of \$ 2,336,194 from the beginning of the year. Approximately 12% of this total amount, \$24,872,683, is available for spending at the government's discretion as unreserved/undesignated fund balance. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to a specific future use.

The General Fund is the primary operating fund of the City of Hanford. At the end of the fiscal year, unreserved fund balance of the General Fund was \$8,857,160 while total fund balance reached \$14,163,111. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. The unreserved fund balance of the general fund represents approximately 42% of general fund expenditures.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

Capital Improvement Funds, which are categorized as governmental funds, show fluctuations in their ending fund balances because they are primarily used to account for capital improvement projects that span more than one year. Therefore, the change in fund balance is generally due to the timing of funding, which generally occurs in one year, in relation to the timing of expenditures, which occur over more than one year. Any remaining fund balances are either reserved or earmarked specifically for the continuing cost of the related projects.

Proprietary Funds – The City proprietary funds include the Water, Wastewater, Storm Drain, Refuse, Airport, Intermodal, and Courthouse Square Funds. All of the proprietary funds are highly capital intensive, requiring a significant investment in capital equipment and facilities to conduct their operations, whether it be in water and sewer lines, water and wastewater treatment facilities or runways.

The Water Fund has total net assets of \$27,883,782 at the end of the fiscal year. Total net assets include \$17,542,708 invested in capital assets and \$604,794 reserved for debt service, which are not available to pay for current expenses. The remaining net assets of \$9,736,280 are unrestricted and available to cover current operating and capital needs of the fund.

The Refuse Fund has total net assets of \$2,059,983 at the end of the fiscal year. Total net assets include \$232,144 invested in capital assets, which are not available to cover current expenses. The remaining net assets of \$1,827,839 are unrestricted and available to cover current operating and capital needs of the fund.

The Wastewater Fund has total net assets of \$29,356,305 at the end of the fiscal year. Total net assets include \$22,240,343 invested in capital assets, which are not available to cover current expenses. The fund has \$7,115,962 available to cover current operating and capital needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City of Hanford's investment in capital assets for its governmental and business type activities as of June 30, 2009 amounts to \$244,167,302 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities and roads. The net increase in the City's investment in capital assets for the current fiscal year was \$4,484,377. This increase is a result of land acquisition, normal equipment replacement, and construction of typical capital assets. Significant capital asset events during the fiscal year included the following:

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

- Airport improvements \$1,301,358.
- Vocational educational facility construction \$1,473,296.
- Construction on the water system storage tanks, water wells, and water mains for \$835,661.
- Water system arsenic remediation projects construction for \$2,608,349.
- Contributed capital from developer improvements for \$1,087,862.
- Various street construction projects, rehabilitation and betterments for \$2,890,883.
- Fire stations land acquisition and building design \$162,079.
- Corporation yard expansion project \$633,592.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 60,432,656	\$ 60,079,666	\$ 11,038,597	\$ 11,038,597	\$ 71,471,253	\$ 71,118,263
Buildings	4,984,355	5,167,237	5,804,079	6,054,746	10,788,434	11,221,983
Infrastructure	58,683,686	57,139,906	77,535,345	77,083,847	136,219,031	134,223,753
Equipment	6,668,408	5,661,756	229,760	338,089	6,898,168	5,999,845
Construction in progress	7,393,081	9,077,142	11,397,335	8,041,939	18,790,416	17,119,081
Total capital assets	<u>\$138,162,186</u>	<u>\$137,125,707</u>	<u>\$106,005,116</u>	<u>\$102,557,218</u>	<u>\$244,167,302</u>	<u>\$239,682,925</u>

Long-Term Debt - At the end of the current fiscal year, the City of Hanford, primary government, had a total debt outstanding of \$46,008,752.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Compensated absences	\$ 721,360	\$ 637,629	\$ 143,088	\$ 141,193	\$ 864,448	\$ 778,822
Certificates of participation	1,065,000	1,395,000			1,065,000	1,395,000
Revenue bonds payable			27,330,000	28,205,000	27,330,000	28,205,000
Unamortized bond premium			169,863	178,803	169,863	178,803
Notes payable			16,579,441	17,105,319	16,579,441	17,105,319
	<u>\$1,786,360</u>	<u>\$2,032,629</u>	<u>\$44,222,392</u>	<u>\$45,630,315</u>	<u>\$46,008,752</u>	<u>\$47,662,944</u>

With respect to the Governmental Activities, the outstanding \$1,065,000 in certificates of participation consists of one issuance in 2001 for \$3,175,000 to finance the acquisition of the Recreational/Educational Facility Site for the Learning Center.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

In the Business-Type Activities, the revenue bonds payable consists of five separate issues. In 2006 the City received \$8,925,000 from the issuance of Water Revenue Bonds for the purpose of refunding the EDA Loan and 1993 Water Refunding Revenue Bond as well as expanding the City's water system. Three bonds were issued to expand or upgrade the wastewater system and treatment plant. These consist of an issue in 1996 of \$7,855,000, an issue in 1999 of \$5,000,000, and an issue in 2002 of \$10,555,000. In 2007 the City received \$8,150,000 through an installment sale agreement to finance arsenic remediation projects.

The notes payable portion of the outstanding \$17,105,319 debt consists of two loans. In 2003 the City obtained the loan for the purpose of expanding the wastewater treatment plant and in 2007 the City obtained \$8,150,000 to finance construction of arsenic remediation projects.

For detail information regarding each of these bonds or notes please refer to Note 5 – Long-Term Debt, page 46.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget was decreased reducing employees, supplies and equipment in various general fund activities to offset reduced revenues. The actual revenues were less than budget estimates by about \$592,000 caused from reduced sales tax, investment earnings and development fees. Expenditure overages were about \$515,000, primarily in public safety activities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The key assumptions in the General Fund revenue forecast for fiscal year 2009-2010 were:

- Service charges will increase due to new services and rate increases that went into effect in July, 2009.
- Property tax revenues will be flat due to depressed assessed valuation and general growth.
- Sales tax revenues will increase flat as a result of the depressed economy.
- State budget actions will negatively affect general fund revenues.

CITY OF HANFORD
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2009
(Continued)

Items addressed in the budget were:

Fire – Carried over land acquisition and building design for a third fire station.

Airport – Continue the undergrounding project for electrical lines along 9th Avenue to clear the runway landing approach.

Redevelopment – Complete the construction of the Vocational Training Facility and development of the easterly segment of downtown commercial area.

Water – The Completion of construction of the water tank and associated water wells at the Fargo Avenue and B.N. & S.F. Railroad and progress on arsenic remediation projects.

Streets – The design and construction of widening 12th Avenue from Liberty Street to Grangeville Boulevard, extension of Greenfield Avenue to 12th Avenue, widening 11th Avenue from Hume Avenue to Houston Avenue, and use of federal stimulus funds for street resurfacing projects.

General Fund Operations – The budget reflects reduced services with fewer employees but also draws on reserves to finance essential services, these actions necessitated by the downturn in the overall economy.

REQUESTS FOR INFORMATION

This Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in the report or requests for additional financial information can be sent via e-mail to finance@ci.hanford.ca.us. Formal written requests should be addressed to: City of Hanford, Attn: Finance Department, 315 N. Douty Street, Hanford, California 93230.

FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Assets
June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Redevelopment Agency
ASSETS				
Cash and investments	\$ 45,375,968	\$ 21,042,357	\$ 66,418,325	\$ 762,418
Receivables	2,993,251	1,704,087	4,697,338	159,767
Internal balances	(2,068,227)	2,068,227		
Inventories	106,879	216,467	323,346	
Deposits	100,000	10,000	110,000	
Deferred charges		245,688	245,688	
Other assets	7,343		7,343	
Long-term notes receivable	15,627,538		15,627,538	1,273,225
Loan to Redevelopment Agency	5,113,407		5,113,407	
Restricted cash and investments		604,794	604,794	
Land held for resale				612,990
Capital assets:				
Non-depreciable capital assets:				
Land	60,432,656	11,038,597	71,471,253	
Construction in progress	7,393,081	11,397,335	18,790,416	
Depreciable capital assets, net of depreciation	<u>70,336,449</u>	<u>83,569,184</u>	<u>153,905,633</u>	
Total assets	<u>205,418,345</u>	<u>131,896,736</u>	<u>337,315,081</u>	<u>2,808,400</u>
LIABILITIES				
Accounts payable	1,223,249	736,353	1,959,602	161,320
Salary and benefits payable	728,009	149,783	877,792	10,154
Accrued interest payable		434,369	434,369	
Due to Redevelopment Agency				
Deposits and deferred revenue	42,912	237,555	280,467	
Long-term debt – due within one year	340,000	1,441,023	1,781,023	
Long-term debt – due in more than one year	725,000	42,468,417	43,193,417	5,323,816
Unamortized bond premium		169,863	169,863	
Compensated absences – long-term	721,360	143,088	864,448	
Net OPEB liability	<u>219,520</u>	<u>51,492</u>	<u>271,012</u>	
Total liabilities	<u>4,000,050</u>	<u>45,831,943</u>	<u>49,831,993</u>	<u>5,495,290</u>
NET ASSETS				
Invested in capital assets, net of related debt	137,097,186	61,925,813	199,022,999	
Restricted for:				
Streets	8,864,467		8,864,467	
Debt service		604,794	604,794	
Housing	16,913,933		16,913,933	1,273,225
Public safety	1,436,369		1,436,369	
Parks and recreation	1,568,107		1,568,107	
Capital projects	10,665,550		10,665,550	612,990
Unrestricted	<u>24,872,683</u>	<u>23,534,186</u>	<u>48,406,869</u>	<u>(4,573,105)</u>
Total net assets (deficit)	<u>\$201,418,295</u>	<u>\$ 86,064,793</u>	<u>\$287,483,088</u>	<u>\$(2,686,890)</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,701,728	\$ 56,167	\$	\$	\$ (1,645,561)
Public safety	13,634,896	911,714	111,725	514,916	(12,096,541)
Public works	7,372,121	984,095		2,746,874	(3,641,152)
Recreation	2,126,540	435,299		39,368	(1,651,873)
Community development	2,510,249	757,300	1,301,635	205,688	(245,626)
Interest on long-term debt	<u>48,817</u>				<u>(48,817)</u>
Total governmental activities	<u>27,394,351</u>	<u>3,144,575</u>	<u>1,413,360</u>	<u>3,506,846</u>	<u>(19,329,570)</u>
Business-type activities:					
Water system	4,602,403	5,221,666		186,152	805,415
Wastewater system	5,429,918	4,694,261		60,480	(675,177)
Storm drain	933,443	1,093,561		159,420	319,538
Refuse	5,442,252	6,760,040			1,317,788
Airport	435,043	100,685			(334,358)
Intermodal	97,294	78,047			(19,247)
Courthouse square	<u>276,569</u>	<u>288,559</u>			<u>11,990</u>
Total business-type activities	<u>17,216,922</u>	<u>18,236,819</u>		<u>406,052</u>	<u>1,425,949</u>
Total primary government	<u>\$44,611,273</u>	<u>\$21,381,394</u>	<u>\$1,413,360</u>	<u>\$3,912,898</u>	<u>\$(17,903,621)</u>
Component unit:					
Redevelopment agency	<u>\$ 3,064,631</u>	<u>\$</u>	<u>\$</u>	<u>\$1,106,551</u>	<u>\$ (1,958,080)</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2009
(Continued)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets			Component Unit Redevelopment Agency
	Governmental Activities	Business-Type Activities	Total	
Primary Government:				
Governmental activities:				
General government	\$ (1,645,561)	\$	\$ (1,645,561)	\$
Public safety	(12,096,541)		(12,096,541)	
Public works	(3,641,152)		(3,641,152)	
Recreation	(1,651,873)		(1,651,873)	
Community development	(245,626)		(245,626)	
Interest on long-term debt	(48,817)		(48,817)	
Total governmental activities	(19,329,570)		(19,329,570)	
Business-type activities:				
Water system		805,415	805,415	
Wastewater system		(675,177)	(675,177)	
Storm drain		319,538	319,538	
Refuse		1,317,788	1,317,788	
Airport		(334,358)	(334,358)	
Intermodal		(19,247)	(19,247)	
Courthouse square		11,990	11,990	
Total business-type activities		1,425,949	1,425,949	
Total primary government	(19,329,570)	1,425,949	(17,903,621)	
Component unit:				
Redevelopment agency				(1,958,080)
General revenues:				
Taxes:				
Property taxes	10,660,303		10,660,303	1,592,836
Sales and use tax	5,898,146		5,898,146	
Franchise taxes	937,864		937,864	
Other taxes	1,942,535		1,942,535	
Revenue from use of money and property	1,771,318	454,750	2,226,068	185,881
Impact fees		518,761	518,761	
Miscellaneous/other	486,505	143,330	629,835	
Transfers – interfund	(30,907)	30,907		
Total general revenues and transfers	21,665,764	1,147,748	22,813,512	1,778,717
Change in net assets	2,336,194	2,573,697	4,909,891	(179,363)
Net assets, beginning of year (as previously reported)	198,042,240	83,491,096	281,533,336	(2,507,527)
Prior period adjustment	1,039,861		1,039,861	
Net assets, beginning of year	199,082,101	83,491,096	282,573,197	(2,507,527)
Net assets, end of year	\$201,418,295	\$86,064,793	\$287,483,088	\$(2,686,890)

See independent auditors' report and notes to financial statements.

**GOVERNMENTAL
FUND FINANCIAL STATEMENTS**

CITY OF HANFORD
Combining Balance Sheet
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	All Other Governmental Funds	Totals
ASSETS					
Cash and investments	\$ 8,807,597	\$ 758	\$ 9,146,831	\$12,704,311	\$30,659,497
Accounts receivable	914,837	922,535	33,774	1,089,030	2,960,176
Loan receivable	25,000	14,232,960	243,973	1,125,605	15,627,538
Loan to redevelopment agency	5,113,407				5,113,407
Due from other funds	364,393		1,593,270		1,957,663
Deposits	100,000				100,000
Other assets	<u>6,243</u>		<u>1,100</u>		<u>7,343</u>
Total assets	<u>\$15,331,477</u>	<u>\$15,156,253</u>	<u>\$11,018,948</u>	<u>\$14,918,946</u>	<u>\$56,425,624</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds		69,112		295,281	364,393
Accounts payable	491,628	144,742	353,398	58,385	1,048,153
Accrued wages payable	634,562				634,562
Consumer deposits	<u>42,176</u>	<u>736</u>			<u>42,912</u>
Total liabilities	<u>1,168,366</u>	<u>214,590</u>	<u>353,398</u>	<u>353,666</u>	<u>2,090,020</u>
FUND BALANCES					
Reserved for:					
Encumbrances	66,086		3,323,420		3,389,506
Deposits	100,000				100,000
Loans and advances	5,139,865	14,232,960	1,759,998	1,125,605	22,258,428
Unreserved, reported in:					
General fund	8,857,160				8,857,160
Special revenue funds		708,703		13,439,675	14,148,378
Capital project funds			<u>5,582,132</u>		<u>5,582,132</u>
Total fund balances	<u>14,163,111</u>	<u>14,941,663</u>	<u>10,665,550</u>	<u>14,565,280</u>	<u>54,335,604</u>
Total liabilities and fund balances	<u>\$15,331,477</u>	<u>\$15,156,253</u>	<u>\$11,018,948</u>	<u>\$14,918,946</u>	<u>\$56,425,624</u>

CITY OF HANFORD
Reconciliation of the Governmental Funds Balance Sheet
To the Government-Wide Statement of Net Assets
Governmental Activities
June 30, 2009

Total fund balances governmental funds	\$ 54,335,604
--	---------------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets: In governmental funds, only current assets are reported. In the statement of net assets, all assets are reported, including capital assets and accumulated depreciation:

Capital assets at historical cost	\$179,613,130	
Accumulated depreciation	<u>(47,541,438)</u>	132,071,692

Internal service funds are used by management to charge the costs of fleet maintenance, purchasing, risk management, building usage, and computer maintenance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets:	17,016,879
---	------------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Certificates of participation payable	(1,065,000)	
Compensated absences	(721,360)	
Unfunded OPEB liabilities	<u>(219,520)</u>	<u>(2,005,880)</u>

Total net assets – governmental activities	<u>\$201,418,295</u>
--	----------------------

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2009

	General Fund	CDBG Home/Housing Fund	Capital Project Fund	All Other Governmental Funds	Totals
REVENUES					
Taxes and special assessments	\$18,216,507	\$	\$	\$ 2,832,779	\$21,049,286
Aid from other government agencies	1,263,042	1,402,725	62,610	1,575,301	4,303,678
Licenses and permits	286,304				286,304
Fines and forfeits	142,954			123,250	266,204
Charges for services	846,289				846,289
Revenue from use of money and property	1,509,119	51,968		267,320	1,828,407
Miscellaneous	148,132	38	97,966		246,136
Unrealized gain/(loss) on investments	(9,977)	1,200	827	1,826	(6,124)
Total revenues	<u>22,402,370</u>	<u>1,455,931</u>	<u>161,403</u>	<u>4,800,476</u>	<u>28,820,180</u>
EXPENDITURES					
General government	1,514,852			49,512	1,564,364
Public safety	13,127,349				13,127,349
Public works	3,420,217			326,595	3,746,812
Recreation	1,493,617				1,493,617
Community development	1,591,049				1,591,049
Capital outlay		895,638	470,641	4,882,587	6,248,866
Debt service:					
Principal				330,000	330,000
Interest				48,817	48,817
Total expenditures	<u>21,147,084</u>	<u>895,638</u>	<u>470,641</u>	<u>5,637,511</u>	<u>28,150,874</u>
Excess (deficiency) of revenues over expenditures	<u>1,255,286</u>	<u>560,293</u>	<u>(309,238)</u>	<u>(837,035)</u>	<u>669,306</u>
Other financing sources (uses)					
Other sources				254,727	254,727
Transfers in	123,249	10,291	13,000	137,792	284,332
Transfers out	(67,007)		(137,655)	(175,430)	(380,092)
Total other financing sources (uses)	<u>56,242</u>	<u>10,291</u>	<u>(124,655)</u>	<u>217,089</u>	<u>158,967</u>
Net change in fund balances	1,311,528	570,584	(433,893)	(619,946)	828,273
Fund balances beginning of year (as previously reported)	<u>11,811,722</u>	<u>14,371,079</u>	<u>11,099,443</u>	<u>15,185,226</u>	<u>52,467,470</u>
Prior period adjustment	1,039,861				1,039,861
Fund balances beginning of year-restated	<u>12,851,583</u>				<u>53,507,331</u>
Fund balances end of year	<u>\$14,163,111</u>	<u>\$14,941,663</u>	<u>\$10,665,550</u>	<u>\$14,565,280</u>	<u>\$54,335,604</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Reconciliation of the Governmental Funds Statement
of Revenues, Expenditures, And Changes in Fund Balances
to the Government-Wide Statement of Activities
Governmental Activities
For the Year ended June 30, 2009

Total net change in fund balances – governmental funds		\$ 828,273
Amounts reported for governmental activities in the statement of activities different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:		681,810
Expenditures for capital outlay	\$ 4,047,385	
Depreciation expense	<u>(4,426,873)</u>	(379,488)
Debt service: In governmental funds, repayments of long-term debt are reported as expenditures. In the government-wide statements, repayments of long-term debt are reported as reductions of the liabilities. Expenditures for repayment of the principal portion of the long-term debt were:		330,000
Compensated absences: In governmental funds, compensated absences are measured by the amounts paid during the period. In the statement of activities, compensated absences are measured by the amounts earned. The difference between compensated absences paid and those earned was:		(83,731)
Internal service funds are used by management to charge the costs of fleet maintenance, purchasing, employee welfare, workers' compensation, general and unemployment insurance to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities:		1,178,850
Unfunded OPEB liability: These expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in government funds.		<u>(219,520)</u>
Change in net assets of governmental activities		<u>\$2,336,194</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Water System Fund	Sewer Improvement Funds Wastewater Fund	Storm Drain Fund	Refuse Fund
ASSETS				
Current assets:				
Cash and investments	\$ 9,457,557	\$ 7,311,199	\$ 2,539,241	\$ 1,594,456
Restricted cash – debt and deposits	604,794			
Accounts receivable, net	569,280	392,234	111,974	586,285
Deposits	6,000	4,000		
Inventory	216,467			
Deferred charges	245,688			
Total current assets	<u>11,099,786</u>	<u>7,707,433</u>	<u>2,651,215</u>	<u>2,180,741</u>
Noncurrent assets:				
Capital assets:				
Land	326,864	4,135,650	3,453,076	
Buildings and improvements	32,277,838	66,215,899	13,549,302	122,850
Machinery and equipment	540,148	489,104	129,356	1,100,516
Construction in progress	10,102,760	897,075	301,760	95,740
Less accumulated depreciation	(10,087,164)	(21,035,820)	(3,116,632)	(1,086,962)
Total capital assets	<u>33,160,446</u>	<u>50,701,908</u>	<u>14,316,862</u>	<u>232,144</u>
(net of accumulated depreciation)				
Total noncurrent assets	<u>33,160,446</u>	<u>50,701,908</u>	<u>14,316,862</u>	<u>232,144</u>
Total assets	<u>\$ 44,260,232</u>	<u>\$ 58,409,341</u>	<u>\$ 16,968,077</u>	<u>\$ 2,412,885</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 310,193	\$ 188,978	\$ 12,578	\$ 189,743
Salaries and benefits payable	43,410	40,729		64,034
Deposits and deferred revenue	237,049			
Due to other funds				
Interest payable	117,258	317,111		
Current portion of long-term debt	544,451	896,572		
Total current liabilities	<u>1,252,361</u>	<u>1,443,390</u>	<u>12,578</u>	<u>253,777</u>
Noncurrent liabilities:				
Compensated absences payable	34,541	31,103		77,444
Net OPEB liability	16,261	13,550		21,681
Unamortized bond premium	169,863			
Bonds and notes payable	14,903,424	27,564,993		
Total noncurrent liabilities	<u>15,124,089</u>	<u>27,609,646</u>		<u>99,125</u>
Total liabilities	<u>16,376,450</u>	<u>29,053,036</u>	<u>12,578</u>	<u>352,902</u>
NET ASSETS				
Invested in capital assets net of related debt	17,542,708	22,240,343	14,316,862	232,144
Restricted for debt service	604,794			
Unrestricted	<u>9,736,280</u>	<u>7,115,962</u>	<u>2,638,637</u>	<u>1,827,839</u>
Total net assets	<u>\$ 27,883,782</u>	<u>\$ 29,356,305</u>	<u>\$ 16,955,499</u>	<u>\$ 2,059,983</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Net Assets
Proprietary Funds
June 30, 2009
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total	Governmental Activities Internal Service Funds
ASSETS					
Current assets:					
Cash and investments	\$ 130,013	\$ 454	\$ 9,437	\$ 21,042,357	\$14,716,471
Restricted cash debt and deposits				604,794	
Accounts receivable, net	8,135		36,179	1,704,087	33,075
Deposit				10,000	
Inventory				216,467	106,879
Deferred charges				245,688	
Total current assets	<u>138,148</u>	<u>454</u>	<u>45,616</u>	<u>23,823,393</u>	<u>14,856,425</u>
Noncurrent assets:					
Capital assets:					
Land	2,596,623	526,384		11,038,597	
Buildings and improvements	5,829,703	1,659,071		119,654,663	
Machinery and equipment	30,354			2,289,478	14,448,365
Construction in progress				11,397,335	
Less: Accumulated depreciation	<u>(2,555,806)</u>	<u>(492,573)</u>		<u>(38,374,957)</u>	<u>(8,357,871)</u>
Total capital assets (net of accumulated depreciation)	<u>5,900,874</u>	<u>1,692,882</u>		<u>106,005,116</u>	<u>6,090,494</u>
Total noncurrent assets	<u>5,900,874</u>	<u>1,692,882</u>		<u>106,005,116</u>	<u>6,090,494</u>
Total assets	<u>\$ 6,039,022</u>	<u>\$1,693,336</u>	<u>\$ 45,616</u>	<u>\$129,828,509</u>	<u>\$20,946,919</u>
LIABILITIES					
Current Liabilities:					
Accounts payable	\$ 25,791	\$ 408	\$ 8,662	\$ 736,353	\$ 175,097
Salaries and benefits payable	689		921	149,783	93,447
Deposits and deferred revenue	506			237,555	
Due to other funds	405,468	597,962	589,840	1,593,270	
Interest payable				434,369	
Current portion of long-term debt				1,441,023	
Total current liabilities	<u>432,454</u>	<u>598,370</u>	<u>599,423</u>	<u>4,592,353</u>	<u>268,544</u>
Noncurrent liabilities:					
Compensated absence payable				143,088	
Net OPEB liability				51,492	
Unamortized bond premium				169,863	
Bonds and notes payable				42,468,417	
Total noncurrent liabilities				<u>42,832,860</u>	
Total liabilities	<u>432,454</u>	<u>598,370</u>	<u>599,423</u>	<u>47,425,213</u>	<u>268,544</u>
NET ASSETS					
Invested in capital assets, net of related debt	5,900,874	1,692,882		61,925,813	6,090,494
Restricted for debt service				604,794	
Unrestricted	<u>(294,306)</u>	<u>(597,916)</u>	<u>(553,807)</u>	<u>19,872,689</u>	<u>14,587,881</u>
Total net assets	<u>\$ 5,606,568</u>	<u>\$1,094,966</u>	<u>\$ (553,807)</u>	<u>\$ 82,403,296</u>	<u>\$20,678,375</u>
Adjustments to reflect the consolidation of the Internal service funds related to enterprise funds				<u>3,661,497</u>	
Net assets of business type activities				<u>\$ 86,064,793</u>	

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary funds
For the Year Ended June 30, 2009

	Water System Fund	Sewer Improvement Funds		Refuse Fund
		Wastewater Fund	Storm Drain Fund	
OPERATING REVENUES				
Charges for services	\$ 5,221,666	\$ 4,694,261	\$ 1,093,561	\$6,760,040
Other revenues	<u>241,689</u>	<u>368,871</u>	<u>16,203</u>	<u>33,726</u>
Total operating revenue	<u>5,463,355</u>	<u>5,063,132</u>	<u>1,109,764</u>	<u>6,793,766</u>
OPERATING EXPENDITURES				
Personnel services	1,128,582	1,107,923		1,673,866
Services and supplies	2,236,047	2,128,677	757,066	4,414,011
Depreciation and amortization	<u>695,703</u>	<u>1,195,510</u>	<u>180,446</u>	<u>56,576</u>
Total operating expenses	<u>4,060,332</u>	<u>4,432,110</u>	<u>937,512</u>	<u>6,144,453</u>
Operating income (loss)	<u>1,403,023</u>	<u>631,022</u>	<u>172,252</u>	<u>649,313</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	230,639	160,345	52,973	3,746
Interest expense	(675,080)	(1,117,562)		
Gain (loss) on sale of assets				
Unrealized gain (loss) on investments	4,942	2,604	539	(1,134)
Miscellaneous	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total non-operating revenues (expenses)	<u>(439,499)</u>	<u>(954,613)</u>	<u>53,512</u>	<u>2,612</u>
Income before capital contributions and transfers	963,524	(323,591)	225,764	651,925
Capital contributions-developer improvements	186,152	60,480	159,420	
Transfers in (out)	<u>(1,479)</u>	<u>(24,423)</u>	<u> </u>	<u>(51,957)</u>
CHANGES IN NET ASSETS	1,148,197	(287,534)	385,184	599,968
TOTAL NET ASSETS, Beginning of year	<u>26,735,585</u>	<u>29,643,839</u>	<u>16,570,315</u>	<u>1,460,015</u>
TOTAL NET ASSETS, End of year	<u>\$27,883,782</u>	<u>\$29,356,305</u>	<u>\$16,955,499</u>	<u>\$2,059,983</u>

CITY OF HANFORD
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009
(Continued)

	Airport Fund	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES					
Charges for services	\$ 100,685	\$ 78,047	\$ 288,559	\$18,236,819	\$ 5,706,190
Other revenues	<u>1,027</u>	<u>575</u>		<u>662,091</u>	
Total operating revenue	<u>101,712</u>	<u>78,622</u>	<u>288,559</u>	<u>18,898,910</u>	<u>5,706,190</u>
OPERATING EXPENDITURES					
Personnel services	16,130		22,443	3,948,944	824,658
Services and supplies	143,599	64,112	256,160	9,999,672	2,408,331
Depreciation and amortization	<u>279,383</u>	<u>33,182</u>		<u>2,440,800</u>	<u>961,290</u>
Total operating expenses	<u>439,112</u>	<u>97,294</u>	<u>278,603</u>	<u>16,389,416</u>	<u>4,194,279</u>
Operating income (loss)	<u>(337,400)</u>	<u>(18,672)</u>	<u>9,956</u>	<u>2,509,494</u>	<u>1,511,911</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	334			448,037	178,553
Interest expense				(1,792,642)	
Gain (loss) on sale of assets					462
Unrealized gain (loss) on investments	(13)	(61)	(164)	6,713	(1,646)
Miscellaneous					<u>89,843</u>
Total non-operating revenues (expenses)	<u>321</u>	<u>(61)</u>	<u>(164)</u>	<u>(1,337,892)</u>	<u>267,212</u>
Income before capital contributions and transfers	(337,079)	(18,733)	9,792	1,171,602	1,779,123
Capital contributions-developer improvements				406,052	300,010
Transfers in (out)	<u>38,508</u>			<u>(39,351)</u>	<u>135,111</u>
CHANGE IN NET ASSETS	(298,571)	(18,733)	9,792	1,538,303	2,214,244
TOTAL NET ASSETS, Beginning of year	<u>5,905,139</u>	<u>1,113,699</u>	<u>(563,599)</u>		<u>18,464,131</u>
TOTAL NET ASSETS, End of year	<u>\$5,606,568</u>	<u>\$1,094,966</u>	<u>\$(553,807)</u>		<u>\$20,678,375</u>
Adjustments to reflect the consolidation of the internal service funds activities related to enterprise funds				<u>1,035,394</u>	
Change in net assets of business type activities (Page 16)				<u>\$ 2,573,697</u>	

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year ended June 30, 2009

	Water System Fund	Sewer Improvement Funds Wastewater Fund	Storm Drain Fund	Refuse Fund	Airport Fund
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received for current services	\$ 5,266,999	\$ 4,807,007	\$1,095,415	\$ 6,787,237	\$ 108,462
Other operating revenues	241,689	368,871	16,203	33,726	1,027
Cash paid for services and supplies	(2,372,236)	(2,091,412)	(764,458)	(4,402,739)	(120,507)
Cash paid for salaries and benefits	<u>(1,111,948)</u>	<u>(1,101,605)</u>		<u>(1,635,894)</u>	<u>(16,211)</u>
Net cash provided (used) by operating activities	<u>2,024,504</u>	<u>1,982,861</u>	<u>347,160</u>	<u>782,330</u>	<u>(27,229)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Transfers (to) from other funds	(1,479)	(24,423)		(51,957)	38,508
Loans from (to) other funds	<u>158,353</u>				
Net cash provided (used) by non-capital financing activities	<u>156,874</u>	<u>(24,423)</u>		<u>(51,957)</u>	<u>38,508</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Principal paid on long-term debt	(536,922)	(872,896)			
Interest paid	(664,397)	(1,143,205)			
Acquisition of capital assets	(3,467,694)	(1,306,316)	(599,881)	(95,740)	
Proceeds from sale of equipment					
Net cash provided (used) by capital and related financing activities	<u>(4,669,013)</u>	<u>(3,322,417)</u>	<u>(599,881)</u>	<u>(95,740)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income (loss)	235,581	162,949	53,512	2,612	321
Other non-operating revenue (expense)					
Net cash provided by investing activities	<u>235,581</u>	<u>162,949</u>	<u>53,512</u>	<u>2,612</u>	<u>321</u>
Net increase (decrease) in cash and cash equivalents	(2,252,054)	(1,201,030)	(199,209)	637,245	11,600
Cash and cash equivalents, beginning of year	<u>12,314,405</u>	<u>8,512,229</u>	<u>2,738,450</u>	<u>957,211</u>	<u>118,413</u>
Cash and cash equivalents, end of year	<u>\$10,062,351</u>	<u>\$ 7,311,199</u>	<u>\$2,539,241</u>	<u>\$ 1,594,456</u>	<u>\$ 130,013</u>

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(Continued)

	Water System Fund	Sewer Improvement Funds		Refuse Fund	Airport Fund
		Wastewater Fund	Storm Drain Fund		
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$1,403,023	\$ 631,022	\$172,252	\$649,313	\$(337,400)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	682,688	1,195,510	180,446	56,576	279,383
Loss on disposition of assets					
(Increase) decrease in net assets:					
Accounts receivable	20,300	80,356	1,854	(7,036)	7,608
Deposits	26,200	32,390		34,233	
Inventory	68,029				
Increase (decrease) in net liabilities:					
Accounts payable	(191,203)	37,265	(7,392)	11,272	23,092
Salaries and benefits payable	2,760	(2,261)		7,038	(81)
Compensated absences	(2,387)	(4,971)		9,253	
Deposits and deferred revenue	(1,167)				169
OPEB liability	16,261	13,550		21,681	
Total adjustments	<u>621,481</u>	<u>1,351,839</u>	<u>174,908</u>	<u>133,017</u>	<u>310,171</u>
Net cash provided (used) by operating activities	<u>\$2,024,504</u>	<u>\$1,982,861</u>	<u>\$347,160</u>	<u>\$782,330</u>	<u>\$ (27,229)</u>
Contributions of capital assets from developers	<u>\$ 186,152</u>	<u>\$ 60,480</u>	<u>\$159,420</u>	<u>\$ _____</u>	<u>\$ _____</u>

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for current services	\$ 78,047	\$ 290,570	\$ 18,433,737	\$ 5,716,113
Other operating revenues	575		662,091	
Cash paid for services and supplies	(63,988)	(255,239)	(10,070,579)	(2,442,818)
Cash paid for salaries and benefits		(27,730)	(3,893,388)	(888,515)
Net cash provided (used) by operating activities	<u>14,634</u>	<u>7,601</u>	<u>5,131,861</u>	<u>2,384,780</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers (to)from other funds			(39,351)	23,536
Loans from (to) other funds	<u>(14,119)</u>	<u>2,000</u>	<u>146,234</u>	<u>135,111</u>
Net cash provided (used) by non-capital financing activities	<u>(14,119)</u>	<u>2,000</u>	<u>106,883</u>	<u>158,647</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Principal paid on long-term debt			(1,409,818)	
Interest paid			(1,807,602)	
Acquisition of capital assets			(5,469,631)	(1,422,217)
Proceeds from sale of equipment				27,242
Net cash provided (used) by capital and related financing activities			<u>(8,687,051)</u>	<u>(1,394,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income (loss)	(61)	(164)	454,750	176,907
Other non-operating revenue (expense)				89,843
Net cash provided by investing activities	<u>(61)</u>	<u>(164)</u>	<u>454,750</u>	<u>266,750</u>
Net increase (decrease) in cash and cash equivalents	454	9,437	(2,993,557)	1,415,202
Cash and cash equivalents, beginning of year			<u>24,640,708</u>	<u>13,301,269</u>
Cash and cash equivalents, end of year	<u>\$ 454</u>	<u>\$ 9,437</u>	<u>\$ 21,647,151</u>	<u>\$14,716,471</u>

CITY OF HANFORD
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009
(Continued)

	Intermodal Fund	Courthouse Square	Total Enterprise Funds	Governmental Activities- Internal Service Fund
Reconciliation of operating income to net cash provided by operating activities:				
Operating income/(loss)	\$(18,672)	\$ 9,956	\$2,509,494	\$1,511,911
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	33,182		2,427,785	961,290
Loss on disposition of assets				
(Increase) decrease in net assets:				
Accounts receivable		2,011	105,093	9,923
Deposits			92,823	
Inventory			68,029	29,099
Increase (decrease) in net liabilities:				
Accounts payable	124	(5,287)	(132,129)	(63,586)
Salaries and benefits payable		921	8,377	(63,857)
Compensated absences			1,895	
Deposits and deferred revenue			(998)	
OPEB liability			51,492	
Total adjustments	<u>33,306</u>	<u>(2,355)</u>	<u>2,622,367</u>	<u>872,869</u>
Net cash provided (used) by operating activities	<u>\$ 14,634</u>	<u>\$ 7,601</u>	<u>\$5,131,861</u>	<u>\$2,384,780</u>
Contributions of capital assets from developers	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 406,052</u>	<u>\$ 300,010</u>

See independent auditors' report and notes to financial statements.

FIDUCIARY FUNDS FINANCIAL STATEMENTS

CITY OF HANFORD
Statement of Fiduciary Net Assets
Trust and Agency Funds
June 30, 2009

	Community Facilities District	Civil Subpoena	Renters' Insurance Deposits	COE Park Deposits	Miscellaneous Deposits Trust	Totals
ASSETS						
Cash and investments	\$ 849,071	\$54,001	\$436	\$480	\$397,872	\$1,301,860
Accounts receivable		12,453			55,498	67,951
Other	<u>2,910,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2,910,000</u>
Total assets	<u>\$3,759,071</u>	<u>\$66,454</u>	<u>\$436</u>	<u>\$480</u>	<u>\$453,370</u>	<u>\$4,279,811</u>
LIABILITIES						
Accounts payable		1,853			419,560	421,413
Deposits held for others		64,601	436	480	29,948	95,465
Bonds payable	<u>2,910,000</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>2,910,000</u>
Total liabilities	<u>2,910,000</u>	<u>66,454</u>	<u>436</u>	<u>480</u>	<u>449,508</u>	<u>3,426,878</u>
NET ASSETS						
Unreserved	<u>849,071</u>	<u> </u>	<u> </u>	<u> </u>	<u>3,862</u>	<u>852,933</u>
Total net assets	<u>\$ 849,071</u>	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>	<u>\$ 3,862</u>	<u>\$ 852,933</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Statement of Changes in Fiduciary Net Assets
Trust and Agency Funds
June 30, 2009

	Community Facilities District	Miscellaneous Cash Deposits	Total
ADDITIONS			
Interest income	\$ 3,709	\$	\$ 3,709
Other additions	<u>457,350</u>	<u> </u>	<u>457,350</u>
	<u>461,059</u>	<u> </u>	<u>461,059</u>
DEDUCTIONS			
General government	18,468	8,071	26,539
Unrealized (gain) loss on investments	383	(7,401)	(7,018)
Debt service:			
Principal	280,000		280,000
Interest	<u>178,685</u>	<u> </u>	<u>178,685</u>
Total deductions	<u>477,536</u>	<u>670</u>	<u>478,206</u>
Change in net assets	(16,477)	(670)	(17,147)
Net assets – beginning of year (as previously stated)	865,548	1,044,393	1,909,941
Prior period adjustment	<u> </u>	<u>(1,039,861)</u>	<u>(1,039,861)</u>
Net assets – beginning of year restated	<u>865,548</u>	<u>4,532</u>	<u>870,080</u>
Net assets – end of year	<u>\$849,071</u>	<u>\$ 3,862</u>	<u>\$ 852,933</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Hanford (the “City”) have been prepared in conformity with U.S. Generally accepted Accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2009 and for the year then ended.

A. Description of the Reporting Entity

The City of Hanford was incorporated as a General Law city in 1891. The City operates under a Council-Administrator form of government and provides the following services: Public safety (police and fire), community development, community services, public works, cultural, general administrative services, and capital improvements.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Hanford (the primary government) and its component units. The component units discussed below are included in the City’s reporting entity because of the significance of their operational or financial relationship with the City. However, elected officials of the City of Hanford have a continuing accountability for fiscal matters of the other entities. The financial reporting entity consists of: (1) the City (2) organizations for which the City is financially accountable and (3) organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete.

An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government. In a blended presentation, component unit balances and transactions are reported in a manner similar to the balances and transactions of the City. A component unit is presented on a blended basis when the component unit’s governing body is substantially the same as the City’s or the component unit provides services almost entirely to the City, otherwise the component unit is presented discretely.

Blended Component Unit:

The financial statements of the City of Hanford include the financial activities of the City as well as of the Hanford Improvement Corporation. Although the Hanford Improvement Corporation is a legally distinct unit from the City, their financial operations are overseen by the City of Hanford and, in fact, the City Council is the board of directors of the Corporation.

Discretely presented Component Unit:

The Hanford Redevelopment Agency (Agency) was established pursuant to the State of California Health and Safety Codes, Section 33000 entitled “Community Redevelopment Law.” Its purpose is to eliminate blighted areas by encouraging the development of residential, commercial, industrial, recreational, and public facilities. The City’s council members appoint the Agency’s directors, designate management, and have full accountability for the Agency’s fiscal matters.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Complete financial statements for the Hanford Redevelopment Agency and Public Improvement Corporation can be obtained from the City of Hanford Finance Department.

B. Basis of Presentation

Government-Wide Financial Statements

The Government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units. For the most part, eliminations have been made to minimize the double counting on internal activities. These statements distinguish between the *governmental and business type activities* of the City and between the City and its discretely presented component unit. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and; therefore, are clearly identifiable to a particular function. Program revenues include 1) charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental Fund Financial Statements

The governmental fund financial statements provide information about the City's funds, including fiduciary funds and the blended component unit. Separate statements for each fund category – *governmental, proprietary and fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are separately aggregated and reported as non-major funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

The City reports the following major governmental funds:

General Fund - The General fund is the principle operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. For the City, the general fund includes basic governmental activities such as general government, public safety, public works and community service.

CDBG Home/Housing Fund - To receive and disburse funds in accordance with grants received from the Department of Housing and Urban Development for the repair and improvement of targeted housing areas.

Capital Projects Fund - The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

The City reports the following major enterprise funds:

Water Fund - The Water Fund is used to account for the financial activities of water utility of the City.

Wastewater Fund - The Wastewater Fund is used to account for financial activities of sewage collection and wastewater treatment utility of the City.

Storm Drain Fund - The Storm Drain Fund is used to account for the financial activities of the City's storm drains.

Refuse Fund - The Refuse Fund is used to account for the financial activities of the collection of solid waste and disposal utility of the City.

Airport Fund - To account for all activities necessary to provide an airport to the residents of the City and surroundings areas.

Intermodal Fund - The Intermodal Fund is used to account for the financial activities of a building used to support state regional and local transportation.

Courthouse Square Fund - The Courthouse Square Fund is used to account for the financial activities of the maintenance and improvement of the property known as the Courthouse Square in downtown Hanford.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

The City reports the following fund types in aggregate as part of other non-major governmental funds:

Special Revenue Funds – Special Revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Funds – Debt Service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs of the City other than debt service payments made by proprietary funds.

Internal Service Funds – Internal Service Funds are used to account for the financing of good or services provided by one department or agency of the City to another on a cost-reimbursement basis.

Trust and Agency Funds – Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other governments.

C. Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property and sales taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from sales tax are recognized when the underlying transactions take place. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligible requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property and sales taxes, interest, certain state and federal grants and charges for services are accrued when their receipt occurs within sixty days after the end of the accounting period so as to be both measurable and available. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and capital leases are reported as other financing sources.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

For its government-wide activities and enterprise funds, the City has elected under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reporting as non-operating.

D. Assets, Liabilities, Net Assets or Equity, and Other Financial Statement Items

Cash and Investments

For purposes of the statement of cash flows, the city considers short term and highly liquid investments (including restricted assets) to be cash and cash equivalents.

Investments

Investments are stated at fair value (the value at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale).

Further cash and investment disclosures are presented in Note 2.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Services provided, deemed to be a market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include intergovernmental and tax receivable. Business-type activities report trade and intergovernmental as their major receivables.

Inventory

Inventories of materials and supplies in the proprietary and internal services funds are valued at the lower of cost or market, carried on a first-in, first-out (FIFO) basis.

Land Held for Resale

Land held for resale is recorded at the lower of cost or estimated realizable value. Fund balances are reserved in amounts equal to the carrying value of the land held for resale because such assets are not available to finance the city's current operations.

Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

The City's capitalization threshold is \$5,000. In other words, fixed assets are capitalized only if they have a cost in excess of \$5,000 and have an expected useful life of three years or more. Fixed assets that have a cost below \$5,000 are expended during the fiscal year they are acquired.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Betterments and major improvements which significantly increase values, change capacities or extend useful lives are capitalized. Upon sale or retirement of fixed assets, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is included in the results of operations.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Infrastructure	20 to 50 years
Buildings	20 to 50 years
Improvements other than buildings	20 to 50 years
Machinery and equipment	4 to 20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time. All vacation, sick and compensatory pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For additional information regarding compensated absences, see Note 4.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Debt principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the terms of the related debt.

In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid. Governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Net Assets/Fund Equity

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constructional provisions or enabling legislation.
- *Unrestricted net assets* – This category represents net assets of the City, not restricted for any project or other purpose.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Property Taxes

In 1978, a state constitutional amendment (Proposition 13) provided that the tax rate be limited to 1% of market value, levied only by the County and shared with all other jurisdictions. Such limitation on the rate may only be increased through voter approval. The County Collects property taxes and distributes them to taxing jurisdictions on the basis of the taxing jurisdiction's assessed valuations and on the tax rate for voter-approved debt. In the fund financial statements, property tax is recorded as revenue in the period levied to the extent they are collected within 60 days of year-end.

The property tax calendar for the City and the Discretely Presented Component Unit is as follows:

Lien date	January 1
Levy dates	September 1
Due dates	November 1 – 1 st installment February 1 – 2 nd installment
Collection dates	December 10 – 1 st installment April 12 – 2 nd installment

E. Deferred Revenue

The City reports deferred revenue in its financial statements. Deferred revenue arises when resources are recovered by the government before it has legal claim to them.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

G. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

The procedures established by the City Council in adopting the budgetary data reflected in the financial statements are as follows:

On or before the second meeting in May, the City Manager submits to the City Council a proposed operating and capital projects budget for the fiscal year commencing the following July 1. Following publication and public hearings, the budget is legally enacted by resolution.

The City Manager is authorized to transfer funds appropriated with respect to all classifications within the same department. The City Manager may transfer appropriated funds from any classification within other expenditure categories to existing capital outlay and capital projects classifications within the same department only; however, any revisions that alter the total expenditures of any department or create additional projects must be approved by the City Council.

Supplemental budgetary appropriations were negligible for the fiscal year ended June 30, 2009. All unencumbered appropriations lapse at year end.

For budgeting purposes, the General fund is composed of several departments while all other budgeted funds are considered a single department. Revenues are budgeted on a line item basis. A comparison of budgeted and actual revenues by line item would be too voluminous for this report.

Budgets for the General, Special Revenue, and Debt Service Funds are presented in the accompanying general purpose financial statements on a basis consistent with accounting principles generally accepted in the United States of America. Budgets for Capital Projects Funds are not presented because they are budgeted on a project basis rather than on an annual basis. No budgets are adopted for the Proprietary and Fiduciary Fund types.

Deficit Fund Equity/Net Assets

The Special Aviation Revenue Fund and Courthouse Square Proprietary Fund had deficit fund balances of \$12,768 and \$533,807, respectively. These deficits are expected to be eliminated in future years through revenues or transfers from other funds.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Reclassification and Eliminations

Interfund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated.

NOTE 2 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$67,180,743
Restricted cash and investments	604,794
Fiduciary funds:	
Cash and investments	<u>1,301,860</u>
Total cash and investments	<u>\$69,087,397</u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 1,305
Deposits with financial institutions	12,123,995
Investments	<u>56,962,097</u>
Total cash and investments	<u>\$69,087,397</u>

Investments Authorized by the California Government Code and the City of Hanford's Investment Policy.

The table below identifies the **investment types** that are authorized for the City of Hanford by the California Government Code (or the City of Hanford's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City of Hanford's investment policy, where more restrictive) that address **interest rate risk**, **credit risk**, and **concentration** of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City of Hanford, rather than the general provisions of the California Government Code or the City of Hanford's investment policy.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio*	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptances	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Local Agency Investment Fund (LAIF)	N/A	None	None

*Excluding amounts held by bond trustees that are not subject to California Government Code Restrictions.

Investments Authorized by Debt Agreements

Investments of debt proceeds held by bond trustee are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City of Hanford's investment policy. The table below identifies the **investment types** that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

Authorized Investment type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Banker's Acceptances	180 days	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	30 years	None	None

Disclosure Relating to Interest Rate risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City of Hanford manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing and coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Information about the sensitivity of the fair values of the City of Hanford's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City of Hanford's investments by maturity.

Investment Type		Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Federal Agency Securities	\$14,699,118	\$ 3,569,830	\$2,692,270	\$7,937,018	\$500,000
State Investment Pool	40,000,000	40,000,000			
Money Market Funds	21,228	21,228			
Held by Bond Trustee:					
Money Market Funds	1,231,767	1,231,767			
Negotiable Certificates of Deposits	<u>1,009,984</u>	<u>406,452</u>	<u>301,198</u>	<u>302,334</u>	
Total	<u>\$56,962,097</u>	<u>\$45,229,277</u>	<u>\$2,993,468</u>	<u>\$8,239,352</u>	<u>\$500,000</u>

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City of Hanford's investment policy, or debt agreements and the actual rating as of year end for each investment type. The column marked "exempt from disclosure" identifies those investment types for which GASB Statement No. 40 does not require disclosure as to credit risk:

Investment Type		Minimum Legal Rating	Ratings as of Year End		
			AAA	AA	Not Rated
Federal Agency Securities	\$14,699,118	N/A	\$14,699,118	\$	\$
State Investment Pool	40,000,000	N/A			40,000,000
Money Market Funds	21,228	N/A			21,228
Held by Bond Trustee:					
Money Market Funds	1,231,767	N/A			1,231,767
Negotiable Certificates of Deposits	<u>1,009,984</u>	N/A			<u>1,009,984</u>
Total	<u>\$56,962,097</u>		<u>\$14,699,118</u>	<u>\$</u>	<u>\$42,262,979</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Concentration of Credit Risk

The investment policy of the City of Hanford contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds, and external investment pools) that represent 5% or more of **total City of Hanford investments** are as follows:

Issuer	Investment Type	Reported Amount
FHLB	Federal Agency Securities	\$7,128,504
FHLMC	Federal Agency Securities	\$3,244,701

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City of Hanford's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provisions for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

GASB Statement No. 40 requires that the following disclosure be made with respect to custodial credit risks relating to deposits and investments: \$13,402,816 of the City of Hanford's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

Investment in State Investment Pool

The City of Hanford is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City of Hanford's investment in this pool is reported in the accompanying financial statements at amounts based upon the City of Hanford's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

NOTE 3 – RECEIVABLES

Receivables as of June 30, 2009 for the City's individual major funds, nonmajor funds and internal service funds in the aggregate are as follows:

	Accounts	Taxes	Grants	Interest	Loans	Total
Governmental Funds						
General	\$ 310,796	\$442,021	\$ 72,338	\$ 89,682	\$	\$ 914,837
CDBG Home/Housing	685		919,356	2,494		922,535
Capital Project			21,110	12,664		33,774
Nonmajor and Other	148	340,987	702,183	45,712		1,089,030
Total	<u>\$ 311,629</u>	<u>\$783,008</u>	<u>\$1,714,987</u>	<u>\$150,552</u>	<u>\$</u>	<u>\$2,960,176</u>
Enterprise Funds						
Water System	\$ 534,473	\$	\$	\$ 34,807	\$	\$ 569,280
Wastewater	364,980			27,254		392,234
Storm Drain	102,259			9,715		111,974
Refuse	585,568			717		586,285
Airport	213				7,922	8,135
Courthouse Square	36,179					36,179
Total	<u>\$1,623,672</u>	<u>\$</u>	<u>\$</u>	<u>\$ 72,493</u>	<u>\$7,922</u>	<u>\$1,704,087</u>
Internal Service Funds						
Fleet Maintenance Fund	\$	\$	\$	\$ 33,075	\$	\$ 33,075
Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 33,075</u>	<u>\$</u>	<u>\$ 33,075</u>

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2009 were as follows:

	Balance July 1, 2008	Addition Completions	Retirements/ Adjustments	Balance June 30, 2009
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 60,079,666	\$ 352,990	\$	\$ 60,432,656
Construction in Progress	9,077,142	1,698,736	(3,382,797)	7,393,081
Total capital assets, not being depreciated	69,156,808	2,051,726	(3,382,797)	67,825,737
Capital assets being depreciated				
Buildings	10,926,941			10,926,941
Infrastructure	93,419,220	5,724,235		99,143,455
Equipment	14,612,928	2,064,608	(512,174)	16,165,362
Total capital assets being depreciated	118,959,089	7,788,843	(512,174)	126,235,758
Less: Accumulated depreciation				
Buildings	(5,759,704)	(182,882)		(5,942,586)
Infrastructure	(36,279,314)	(4,180,455)		(40,459,769)
Equipment	(8,951,172)	(1,036,766)	490,984	(9,496,954)
Total accumulated depreciation	(50,990,190)	(5,400,103)	490,984	(55,899,309)
Total capital assets being depreciated, net	67,968,899	2,388,740	(21,190)	70,336,449
Governmental activities capital assets, net	<u>\$137,125,707</u>	<u>\$ 4,440,466</u>	<u>\$(3,403,987)</u>	<u>\$138,162,186</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

	Balance July 1, 2008	Addition Completions	Retirements/ Adjustments	Balance June 30, 2009
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 11,038,597	\$	\$	\$ 11,038,597
Construction in progress	<u>8,041,939</u>	<u>3,701,015</u>	<u>(345,619)</u>	<u>11,397,335</u>
Total capital assets, not being depreciated	<u>19,080,536</u>	<u>3,701,015</u>	<u>(345,619)</u>	<u>22,435,932</u>
Capital assets being depreciated				
Buildings and improvement	117,164,376	2,490,287		119,654,663
Machinery and equipment	<u>2,259,478</u>	<u>30,000</u>	<u> </u>	<u>2,289,478</u>
Total capital assets being depreciated	119,423,854	2,520,287		121,944,141
Less: Accumulated depreciation for:				
Buildings and improvement	(34,025,783)	(2,289,456)		(36,315,239)
Machinery and equipment	<u>(1,921,389)</u>	<u>(143,096)</u>	<u>4,767</u>	<u>(2,059,718)</u>
Total accumulated depreciation	(35,947,172)	(2,432,552)	4,767	(38,374,957)
Total capital assets being depreciated, net	<u>83,476,682</u>	<u>87,735</u>	<u>4,767</u>	<u>83,569,184</u>
Business-type activities capital assets, net	<u>\$102,557,218</u>	<u>\$3,788,750</u>	<u>\$(340,852)</u>	<u>\$106,005,116</u>

Depreciation expense for the fiscal year ending June 30, 2009 was charged to the following activities:

Governmental functions:

General governmental	\$ 29,088
Public safety	261,319
Culture and recreation	615,394
Public works	3,533,012
Capital assets held by the internal service funds were charged to the various functions based on their usage	<u>961,290</u>
Total	<u>\$5,400,103</u>

Business-type functions:

Water system	\$ 682,688
Wastewater	1,195,510
Storm drain	180,446
Refuse	56,576
Airport	279,383
Intermodal	<u>33,182</u>
Total	<u>\$2,427,785</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Component Unit

The capital assets of the Redevelopment Agency (Component Unit) are now accounted for and reported in the Government Activities section of these financial statements.

NOTE 5 – LONG-TERM DEBT

The following is a summary of the long-term debt activity for the year ended June 30, 2009:

Type of Debt	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due Within One Year
Governmental activities					
Certificates of participation	\$ 1,395,000	\$	\$ (330,000)	\$ 1,065,000	\$ 340,000
Compensated absences	<u>637,629</u>	<u>83,731</u>		<u>721,360</u>	
Total governmental activities	<u>2,032,629</u>	<u>83,731</u>	<u>(330,000)</u>	<u>1,786,360</u>	<u>340,000</u>
Business activities					
Bonds payable	28,205,000		(875,000)	27,330,000	895,000
Add deferred amounts for issuance premium	178,803		(8,940)	169,863	
Notes payable	17,105,319		(525,878)	16,579,441	546,023
Compensated absences	<u>141,193</u>	<u>1,895</u>		<u>143,088</u>	
Total business activities	<u>45,630,315</u>	<u>1,895</u>	<u>(1,409,818)</u>	<u>44,222,392</u>	<u>1,441,023</u>
Total primary government	<u>47,662,944</u>	<u>85,626</u>	<u>(1,739,818)</u>	<u>46,008,752</u>	<u>1,781,023</u>
Discretely presented component unit Redevelopment Agency of the City of Hanford 1992 Tax Allocation Refunding and and Redevelopment Project Bonds					
Notes payable					
City of Hanford	8,091,500	1,458,553	(4,437,046)	5,113,007	
Kings County Economic Development Corp	<u>210,809</u>			<u>210,809</u>	
Total discretely presented component unit	<u>8,302,309</u>	<u>1,458,553</u>	<u>(4,437,046)</u>	<u>5,323,816</u>	
Total reporting entity	<u>\$55,965,253</u>	<u>\$1,544,179</u>	<u>\$ 6,176,864</u>	<u>\$51,332,568</u>	<u>\$1,781,023</u>

Governmental Activities –

On December 1, 2001, the City of Hanford Public Improvement Corporation issued \$3,175,000 Variable Rate Certificates of Participation. The Certificates shall mature annually on December 1, and shall bear interest ranging from 2.5 to 7.5 percent interest with respect to the Certificates shall be payable on June 1 and December 1 of each year, commencing June 1, 2002. Payment of the principal and interest on the Certificates when due are insured by a financial guaranty insurance policy issued by the MBIA Insurance Corporation. The Certificates are secured by Hanford's City Hall and auditorium building pledged as collateral. The purpose of the Certificates is to finance the acquisition of the Recreational/Educational Facility Site for the Learning Center. In conjunction with the issuance, the City entered into an agreement with the College of Sequoias and the Hanford Union High School District that requires each party to pay one-third share of the Certificate. At June 30, 2009, the outstanding balance was \$1,065,000.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

The future maturities of the Certificates of Participation were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 340,000	\$36,000	\$ 376,000
2011	355,000	22,270	377,270
2012	<u>370,000</u>	<u>7,585</u>	<u>377,585</u>
Total	<u>\$1,065,000</u>	<u>\$65,855</u>	<u>\$1,130,855</u>

Compensated Absences:

The City accounts for compensated absences (unpaid vacation, sick leave and compensatory time) in accordance with GASB Code Sec. C60. In governmental funds, compensated absences are recorded as expenditures in the year paid, as it is the City's intention to liquidate any unpaid compensated absences at June 30 from future resources, rather than current available financial resources.

Accordingly, the unpaid liability for governmental funds is recorded in the government-wide statement of net assets.

\$ 721,360

Business Type Activities –

On April 1, 1996, the City of Hanford issued \$7,855,000 of Variable Rate Demand Sewer System Refunding Revenue Bonds. The Bonds are payable from and secured by a lien on and pledge of the net revenues of the City Sewer System. The Bond shall mature on April 1, 2023, and shall bear interest annually, ranging from 2.0 to 7.5 percent. Interest on the Bonds is payable on the first day of January, April, July, and October, commencing July 1, 1996. The purpose of the bonds is to provide funds to refund the City of Hanford Certificates of Participation dated April 1, 1987 and February 1, 1993. At June 30, 2009 the outstanding balance was \$5,700,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 300,000	\$ 208,050	\$ 508,050
2011	300,000	197,100	497,100
2012	400,000	186,150	586,150
2013	400,000	171,550	571,550
2014	400,000	156,950	556,950
2015-2019	2,000,000	565,750	2,565,750
2020-2023	<u>1,900,000</u>	<u>178,850</u>	<u>2,078,850</u>
Total	<u>\$5,700,000</u>	<u>\$1,664,400</u>	<u>\$7,364,400</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

On October 1, 1999, the City of Hanford issued \$5,000,000 California Statewide Communities Development Authority (CSCDA) Water and Wastewater Revenue Bonds. The Bonds shall mature on October 1, 2029, and shall bear interest annually, ranging from 3.5 to 5.75 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April, 2000. Payment of the principal and interest on the Bonds when due are insured by a financial guaranty insurance policy issued by the Financial Security Assurance Inc. The purpose of the Bonds is to provide financing of the expansion of the Wastewater Treatment Plant. As of June 30, 2009, the outstanding balance was \$4,185,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 110,000	\$ 232,105	\$ 342,105
2011	115,000	226,675	341,675
2012	125,000	220,732	345,732
2013	130,000	214,293	344,293
2014	135,000	207,198	342,198
2015-2019	805,000	909,422	1,714,422
2020-2024	1,055,000	647,620	1,702,620
2025-2029	1,385,000	301,957	1,686,957
2030	<u>325,000</u>	<u>9,344</u>	<u>334,344</u>
Total	<u>\$4,185,000</u>	<u>\$2,969,346</u>	<u>\$7,154,346</u>

On April 16, 2002, the City of Hanford issued \$10,555,000 CSCDA Water and Wastewater Revenue Bonds. The Bonds shall mature on October 1, 2023, and shall bear interest annually, ranging from 3.9 to 5.0 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2002. Payment of the principal and interest on the Bonds when due are insured by a financial guaranty insurance policy issued by the Financial Security Assurance Inc. The purpose of the Bonds is to provide additional financing for the expansion of the Wastewater Treatment Plant. As of June 30, 2009 the outstanding balance was \$9,735,000.

The future Maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 230,000	\$ 469,081	\$ 699,081
2011	240,000	459,796	699,796
2012	245,000	449,974	694,974
2013	260,000	439,426	699,426
2014	270,000	427,995	697,995
2015-2019	1,535,000	1,938,782	3,473,782
2020-2024	1,955,000	1,507,803	3,462,803
2025-2029	2,505,000	948,875	3,453,875
2030-2033	<u>2,495,000</u>	<u>257,125</u>	<u>2,752,125</u>
Total	<u>\$9,735,000</u>	<u>\$6,898,857</u>	<u>\$16,633,857</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

On December 1, 2003, the City of Hanford issued \$8,925,000 CSCDA Water Revenue Bonds Series 2003 C. The Bonds shall mature on October 1, 2028, and shall bear interest annually ranging from 2.0 to 5.25 percent. Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2004. The proceeds were used to refund the EDP Loan and 1993 Water Refunding Revenue Bond as well as to fund improvements to the City's water treatment facilities. As of June 30, 2009, the balance outstanding was \$7,710,000.

The future maturities of the Bonds payable were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 255,000	\$ 362,767	\$ 617,767
2011	260,000	355,551	615,551
2012	270,000	347,196	617,196
2013	275,000	337,723	612,723
2014	285,000	327,218	612,218
2015-2019	1,640,000	1,420,059	3,060,059
2020-2024	2,060,000	981,225	3,041,225
2025-2029	<u>2,665,000</u>	<u>364,219</u>	<u>3,029,219</u>
Total	<u>\$7,710,000</u>	<u>\$4,495,958</u>	<u>\$12,205,958</u>

Long-Term Debt – Loans Payable

On May 28, 2004, the City of Hanford obtained a loan from the California Infrastructure and Economic Development Bank in the amount of \$10,000,000. The term of the agreement is thirty (30) years with a maturity date of February 1, 2034, and an annual interest rate of 3.50%. Prior to the Bond Date, there is a .26% reduction in the interest rate, resulting in an initial rate of 3.24%. Interest on the loan is payable semiannually on each February 1 and August 1, commencing August 1, 2003. As of June 30, 2009, the balance outstanding was \$8,841,566.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 256,572	\$ 304,964	\$ 561,536
2011	265,552	295,828	561,380
2012	274,846	286,372	561,218
2013	284,466	276,583	561,049
2014	294,422	266,452	560,874
2015-2019	1,634,086	1,167,450	2,801,536
2020-2024	1,940,782	855,387	2,796,169
2025-2029	2,305,040	484,754	2,789,794
2030-2032	<u>1,585,800</u>	<u>84,525</u>	<u>1,670,325</u>
Total	<u>\$8,841,566</u>	<u>\$4,022,315</u>	<u>\$12,863,881</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

On December 20, 2007, the City of Hanford entered into an installment sale agreement with the City of Hanford Public Improvement Corporation in the amount of \$8,150,000. The agreement was to enable the City to finance the costs of acquisition and construction of certain public facilities constituting a part of the City's water enterprise. The term of the agreement is thirty (30) years with a maturity date of December 1, 2027 and an annual interest rate of 2.0% to 5.25%. Interest on the loan is payable semi-annually on each June 1 and December 1, commencing June 1, 2008. As of June 30, 2009, the balance outstanding was \$7,737,875.

The future maturities of the Note payable were as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 289,451	\$ 305,990	\$ 595,441
2011	301,121	294,320	595,441
2012	313,262	282,179	595,441
2013	325,892	269,549	595,441
2014	339,032	256,409	595,441
2015-2019	1,931,559	1,045,646	2,977,205
2020-2024	2,329,266	647,939	2,977,205
2025-2027	<u>1,908,292</u>	<u>156,906</u>	<u>2,065,198</u>
Total	<u>\$7,737,875</u>	<u>\$3,258,938</u>	<u>\$10,996,813</u>

Component Unit

On June 19, 1984, the Redevelopment Agency of the City of Hanford entered into a loan agreement with the City of Hanford whereby the City would loan the Agency money in order to complete the Kings County Industrial Park Project. During the year an additional \$4,000,000 was loaned to the agency for construction of a Vocational Training Center related to the project area. The loan agreement requires the Agency to pay 10% interest on the unpaid principal balance. The Agency's yearly principal repayment amounts vary yearly based on the amount of funding available and by the amount of the yearly tax increment. The principal balance due at June 30, 2009 was \$5,113,007.

On December 28, 1999, the Redevelopment Agency of the City of Hanford entered into a loan agreement with the Kings County Economic Development Corporation in the amount of \$300,533 to purchase 100 acres of real property for the Kings County industrial Park Project. The Agency is required to pay \$3,095 in principal for each acre of property it sells. The note does not accrue interest at a fixed rate; rather the Agency must pay 34% in interest on the amount it receives per acre from the sale, if the sales price is at least above \$9,103. The principal balance due at June 30, 2009 was \$210,809.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

NOTE 6 – PENSION PLAN

Plan Description

The City's defined benefit plans, the Miscellaneous, Police Safety and Fire Safety Plans of the City of Hanford, provide retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. The Miscellaneous, Police Safety and Fire Safety plans of the City of Hanford are part of the Public Agency portion of the California Public Employees' Retirement System (CalPERS), an agent multiple-employer plan administered to by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State of California. A menu of benefit provisions as well as other requirements are established by State Statutes within the Public Employees' Retirement Law. The City of Hanford selects optional benefit provisions from the benefit menu by contract with CalPERS and adopts those benefits through local ordinance. CalPERS issues a separate comprehensive annual financial report. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy

The City makes the contributions required by City employees on their behalf and for their account. The present required contribution rates of annual covered salaries are as follows:

<u>Category</u>	<u>Members Rates as a Percentage of Wages</u>
Local miscellaneous members	8%
Local police safety members	9%
Local fire safety members	9%

The City is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the CalPERS Board of Administration. The required employer contribution rate for the fiscal year ended June 30, 2009 was 24.766% for miscellaneous employees. The required employer contribution rate for police safety employees was 26.357% for the period July 1, 2008 through June 30, 2009. The required employer contribution rate for the fire safety employees was 23.586% for the period July 1, 2008 through June 30, 2009. The contribution requirements of plan members are established by State Statue and the employer contribution rate is established and may be amended by CalPERS.

NOTE 7 – POST EMPLOYMENT HEALTH CARE BENEFITS

Plan Description

During the fiscal year ended June 30, 2009, the City implemented GASB Statement No. 45, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions. This statement establishes uniform financial reporting standards for employers providing post-employment benefits. The provisions of this statement are applied on a prospective basis.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

The City participates in the CalPERS medical program under the Public Employees' Medical and Hospital and Care Act (PEMHCA). As such, the City is obligated to contribute toward the cost of retiree medical coverage for the retiree's lifetime or until coverage is discontinued. The City has selected the equal contribution method, where it resolves to contribute the same amount for retirees as is contributed toward active employee medical plan coverage. The City currently pays the minimum employer contribution (MEC) for both active and retired employees as well as their survivors, if covered at the time of the employee's death. The MEC is \$101 per month for 2009.

Dental insurance is available to retired employees as well, though the cost of coverage is paid entirely by the retiree. Once the retiree reaches age 65 the City no longer allows the retiree to stay on the dental plan.

The above coverage is available for employees who satisfy the requirements for retirement under CalPERS (attained age 50 with 5 years of State or public agency service or approved disability retirement). An employee cannot terminate employment before meeting the age condition and be entitled to receive benefits.

Funding Policy

Currently the City funds retiree healthcare benefits on a pay-as-you-go basis, paying a maximum of \$101 per month for retiree benefits from the City funds as they are due with no prefunding for future years. The City recognizes expenditures for its share of the annual premiums as these benefits become due. For fiscal years 2008-2009, the City paid \$31,471 for benefits of 27 retirees or their beneficiaries receiving benefits.

Annual PPEB and Net OPEB Obligation

The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and amount which was determined as part of the July 1, 2008 actuarial valuation in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The ARC is subject to change with each actuarial valuation date performed no less than every three years.

The City's OPEB unfunded actuarial accrued liability as of July 1, 2008, the date of the most recent actuarial valuation, was a total of \$271,012. The OPEB obligation has been adjusted by an annual inflation percentage of 3.25 percent based on the assumptions of the actuarial valuation and a general salary increase of 3.25 percent.

The city has calculated and recorded the Net OPEB obligation, representing the difference between the ARC, amortization and contributions as follows:

Annual required contributions (ARC) and annual OPEB cost	\$302,753
Contributions made by the City	<u>(31,741)</u>
Increase in net OPEB obligation	271,012
Net OPEB obligations, beginning of year	<u>0</u>
Net OPEB obligations, end of year	<u>\$271,012</u>

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
06/30/07	N/A	N/A	N/A
06/30/08	N/A	N/A	N/A
06/30/09	\$302,753	10.48%	\$271,012

Note: Disclosure of annual OPEB cost, percent contributed, and net OPEB obligation, if any, is required for the current fiscal year and each of the two preceding fiscal years. The fiscal year ended June 30, 2009 is the first year of implementation of the City's post-retirement health care plan accounted for and reported in accordance with the requirements of GASB 45. Accordingly, three-year data is not available and will be shown when such data becomes available.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about investment return, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The funded status of the plan as of June 30, 2009 was as follows:

Actuarial accrued liability	\$2,703,595
Actuarial value of plan assets	<u>0</u>
Unfunded Actuarial accrued liability (UAAL)	\$2,703,595
 Funded ratio (actuarial value of plan assets/AAL)	 0%
Covered payroll (active plan members)	\$14,309,711
UAAL as a percentage of covered payroll	18.89%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan as understood by the employer and plan members, and include the types of plan benefits provided at the time of the valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial assets, consistent with the long-term perspective of the calculations.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

The actuarial cost method used for determining the benefit obligations is the Projected Unit Credit Cost Method. The actuarial assumptions include a 4.5 percent investment rate of return, covered payroll increases of 3.25 percent per year, an inflation rate of 3.25 percent per year, and a medical increase trend rate starting at 10 percent per year, and decreasing gradually over a 10 year period to an ultimate rate of 4.50 percent per year. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years.

Annual Pension Costs

For the fiscal year ended June 30, 2009, the City's annual pension cost of \$4,519,124 for PERS was equal to the City's required and actual contributions. The required contribution for the fiscal year ended June 30, 2009 was determined as part of the June 30, 2006 actuarial valuation using the entry age normal actuarial cost method with the contributions determined as a percent of pay. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expense), (b) projected annual salary increases that vary by duration of service ranging from 3.25% to 14.45% for miscellaneous members (from 3.25% to 14.45% for police and fire safety members), and (c) 3.25% payroll growth. Both (a) and (b) included an inflation component of 3.00%. The actuarial values of the Miscellaneous, Police Safety and Fire Safety Plans of the City of Hanford's assets were determined by using a technique that smoothes the effects of short-term volatility in the next market value of investments over a two to five year period, depending on the size of investment gains and/or losses. The Miscellaneous and the Safety Plans of the City of Hanford's unfunded actuarial accrued liabilities (or excess assets) are being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 was 21 years for Miscellaneous, 15 years for Police Safety, and 15 years for Fire Safety.

Fiscal Year	Three-Year Trend Information for PERS		Net Pension Obligation
	Annual Pension Cost (APC)	Percentage of APC Contributed	
6/30/07	\$3,747,922	100.0%	
6/30/08	\$4,043,161	100.0%	
6/30/09	\$4,519,124	100.0%	

Funded Status and Funding Progress

As of June 30, 2007, the most recent actuarial valuation date, the plan was 88.9% funded for non-safety employees and 99.7% funded for safety employees. The actuarial accrued liability for benefits was 1.6 million for non-safety employees and 1.6 Billion for safety employees and the actuarial value of assets was 43 million for non-safety employees and 1.4 Billion for safety employees, resulting in an unfunded actuarial accrued liability (UAAL) of \$13 million for non-safety employees and \$226 million for safety employees. The covered payroll (annual payroll of active employees covered by the plan) was \$7.5 million for non-safety members and \$2.01 million for safety members, and the ratio of UAAL to the covered payroll was 77.2% and 86.3% respectively.

The schedule of funding progress presented as RSI following the notes to financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

NOTE 8 – RISK MANAGEMENT

The City is a member of the Central San Joaquin Valley Risk Management Authority (CSJVRMA), a public entity risk pool for workers' compensation and general liability insurance. The CSJVRMA is a consortium of fifty-four cities located in California's San Joaquin Valley. It was established under the provisions of California Government Code Section 6500 et. Seq. CSJVRMA is governed by a Board of Directors, consisting of one member appointed by each member city. The day-to-day business operations are handled by a management group employed by CSJVRMA. The relationship between the City and CSJVRMA is such the CSJVRMA is not considered a component unit of the City for financial reporting purposes.

For liability insurance, the risk pool covers the City above its self-insurance retention level of \$100,000 up to \$1,000,000. CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$25,000,000.

The City maintains a self-insured retention level of \$200,000 for workers' compensation insurance. Coverage between \$200,000 and \$500,000 is provided through the risk pool. CSJVRMA participates in an excess pool, which provides workers' compensation coverage from \$500,000 to \$5,000,000 and purchases excess insurance above \$5,000,000 to \$300,000,000.

The most recent condensed financial information of CSJVRMA is as follows:

	As of and for the Year Ended June 30, 2009
Total Assets	<u>\$63,349,322</u>
Total Liabilities	\$54,045,869
Total Net Assets	<u>9,303,453</u>
Total Liabilities and Net Assets	<u>\$63,349,322</u>
Total Revenues for Year	\$28,146,623
Total Expenses for Year	<u>28,543,025</u>
Changes in Net Assets	<u>\$ (396,402)</u>

NOTE 9 – INTERFUND TRANSACTIONS

Interfund transactions are reported as either loans, service provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables, as appropriate, and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Interfund due from/to other funds at June 30, 2009 were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds		
General Fund	\$ 364,393	\$
CDBG Home/Housing Fund		69,112
Capital Project Fund	1,593,270	
Other Governmental Funds		295,281
Proprietary Funds		
Airport Fund		405,468
Intermodal Fund		597,962
Courthouse Square		<u>589,840</u>
Total	<u>\$1,957,663</u>	<u>\$1,957,663</u>

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended. Interfund transfers for the 2008/09 fiscal year as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds		
General Fund	\$123,249	\$ 67,007
CDBG Home/Housing Fund	10,291	
Capital Project Fund	13,000	137,655
Other Governmental funds	137,792	175,430
Proprietary Funds		
Water System Fund		1,479
Wastewater Fund		24,423
Refuse Fund		51,957
Airport Fund	38,508	
Internal Service Funds		
Fleet Management Fund	<u>135,111</u>	
	<u>\$457,951</u>	<u>\$457,951</u>

NOTE 10 – CONTINGENT LIABILITIES

Litigation

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material effect on the financial position of the City.

CITY OF HANFORD
Notes to Financial Statements
June 30, 2009
(Continued)

Special Tax Bond Series 1998

The City, by resolution, issued \$5,365,000 of "Special Tax Bonds, Series 1998," pursuant to the Mello-Roos Community Facilities Act of 1982, as amended commencing with Section 53311, et seq., of the Government Code of the State of California. Neither the full faith and credit nor the taxing power (except with respect to the special taxes) of the City of Hanford, the State of California or any political subdivision thereof is pledged to the payment of the bonds. The bonds are not general or special obligations of the City or general obligations of the Community Facilities District No. 91-1, but are limited obligations of the district payable solely from the special taxes and funds held pursuant to that agreement. The City is acting only as an agent for the property owners.

The City participates in a number of programs that are fully or partially funded by grants received from federal, state, and county governments. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If expenditures are disallowed due to non-compliance with grant program regulations, the City may be required to reimburse the grantor agency. As of June 30, 2009, significant amounts of grant expenditures have not been audited by the grantor agencies, but the City believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the City's overall financial position.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

The beginning net assets/fund balances have been adjusted as follows to reflect certain assets reported in fiduciary funds in the prior year that were moved to the general fund in the current year.

	<u>Governmental Activities</u>	<u>General Fund</u>
Net assets/fund balance, beginning of the year as previously reported	\$198,042,240	\$11,811,722
Prior period adjustment	<u>1,039,861</u>	<u>1,039,861</u>
Net assets/fund balance, beginning of the year, as restated	<u>\$199,082,101</u>	<u>\$12,851,583</u>

NOTE 12 – SUBSEQUENT EVENTS

Subsequent to June 30, 2009, the State of California enacted legislation to borrow property tax payments from local governments. The amount borrowed from the City is approximately \$871,000. Property Taxes borrowed by the State for fiscal year 2009/10 were nearly \$2 billion statewide to help the State's budget shortfall. Legislators and the Governor enacted legislation which allows local agencies to sell their eventual repayment from the State to investors to cover the property taxes and to pay the full cost of the sale, or securitization. The City approved the securitization of its receivable in October and anticipates receiving 100% of the state receivable, 50% in January and 50% in May 2010. The City has planned the use of these funds in our 2009/10 budget.

Redevelopment Agency funds have been estimated for a two year takaway by the State. This decision is to be litigated by California Redevelopment Association and other parties with hope that this will be considered unconstitutional as was last year's State proposed takeaway.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HANFORD
Required Supplementary Information
June 30, 2009

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

Schedule of Funding Progress – Defined Benefit Retirement Plan

Budgetary Comparison Schedule – General Fund, all major Special Revenue Funds, and Capital Projects Fund.

CITY OF HANFORD
Schedule of Funding Progress
June 30, 2009

Actuarial Valuation Date	(A) Entry Age Actuarial Accrued Liability	(B) Actuarial Asset Value	(C) Unfunded Liability (Excess Assets) (A)-(B)	(D) Funded Ratio (B)/(A)	(E) Covered Payroll	(F) Unfunded Actuarial Liability as Percentage of Covered Payroll (A)-(B)/(E)
<u>6/30/2006</u>						
Miscellaneous	\$ 51,218,000	\$ 38,772,000	\$ 12,446,000	75.7%	\$ 7,339,000	169.6%
Police Safety	\$1,473,285,000	\$1,252,059,000	\$221,226,000	85.0%	\$177,089,000	124.9%
Fire Safety	\$1,473,285,000	\$1,252,059,000	\$221,226,000	85.0%	\$177,089,000	124.9%
<u>6/30/2007</u>						
Miscellaneous	\$ 55,689,000	\$ 42,965,000	\$ 12,724,000	77.2%	\$ 7,530,000	169.0%
Police Safety	\$1,648,160,000	\$1,422,143,000	\$226,017,000	86.3%	\$200,537,000	112.7%
Fire Safety	\$1,648,160,000	\$1,422,143,000	\$226,017,000	86.3%	\$200,537,000	112.7%
<u>6/30/2008</u>						
Miscellaneous	\$ 60,076,239	\$ 46,989,616	\$ 13,086,623	78.0%	\$ 7,922,800	165.2%
Police Safety	\$1,755,559,311	\$1,517,609,609	\$237,949,702	86.5%	\$210,590,567	113.0%
Fire Safety	\$1,755,559,311	\$1,517,609,609	\$237,949,702	86.5%	\$210,590,567	113.0%

*Pooled as of July 1, 2003 with similar agencies throughout the State, pursuant to State law.

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2009

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes and special assessments	\$18,355,410	\$17,623,740	\$18,216,507	\$ 592,767
Aid from other governmental agencies	928,610	1,303,340	1,263,042	(40,298)
License and permits	776,570	776,220	286,304	(489,916)
Fines and forfeits	161,610	157,490	142,954	(14,536)
Charges for services	1,188,410	1,300,160	846,289	(453,871)
Revenue from use of money and property	1,240,160	1,233,970	1,509,119	275,149
Miscellaneous	616,040	632,180	148,132	(484,048)
Unrealized gain (loss) on investments			(9,977)	(9,977)
Total revenues	<u>23,266,810</u>	<u>23,027,100</u>	<u>22,402,370</u>	<u>(624,730)</u>
EXPENDITURES				
General government	1,531,910	1,453,420	1,514,852	(61,432)
Public safety	12,227,270	12,058,113	13,127,349	(1,069,236)
Public works	3,830,380	3,811,383	3,420,217	391,166
Recreation	1,562,860	1,537,560	1,493,617	43,943
Community development	<u>1,783,000</u>	<u>1,771,410</u>	<u>1,591,049</u>	<u>180,361</u>
Total expenditures	<u>20,935,420</u>	<u>20,631,886</u>	<u>21,147,084</u>	<u>(515,198)</u>
Excess (deficiency) of revenue over expenditures	2,331,390	2,395,214	1,255,286	(1,139,928)
Other financing sources (uses)				
Operating transfers in	100,000	100,000	123,249	23,249
Operating transfers out	<u>(2,499,530)</u>	<u>(2,161,440)</u>	<u>(67,007)</u>	<u>2,094,433</u>
Total other financing sources (uses)	<u>(2,399,530)</u>	<u>(2,061,440)</u>	<u>56,242</u>	<u>2,117,682</u>
Net change in fund balances	(68,140)	333,774	1,311,528	977,754
Fund balances, beginning of year (as previously reported)	<u>11,811,722</u>	<u>11,811,722</u>	<u>11,811,722</u>	
Prior period adjustment		<u>1,039,861</u>	<u>1,039,861</u>	
Fund balances, beginning of year-restated	<u>11,743,582</u>	<u>12,851,583</u>	<u>12,851,583</u>	
Fund balances, end of year	<u>\$11,743,582</u>	<u>\$13,185,357</u>	<u>\$14,163,111</u>	<u>\$ 977,754</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
CDBG Home/Housing
For the Year Ended June 30, 2009

	CDBG Home/Housing			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other governmental agencies	\$ 574,500	\$ 1,181,960	\$ 1,402,725	\$ 220,765
Revenue from use of money and property	87,230	87,230	51,968	(35,262)
Miscellaneous	320	320	38	(282)
Unrealized gain (loss) on investments			1,200	1,200
Total revenues	<u>662,050</u>	<u>1,269,510</u>	<u>1,455,931</u>	<u>186,421</u>
EXPENDITURES				
Capital outlay	<u>1,018,430</u>	<u>2,813,860</u>	<u>895,638</u>	<u>1,918,222</u>
Total expenditures	<u>1,018,430</u>	<u>2,813,860</u>	<u>895,638</u>	<u>1,918,222</u>
Excess (deficiency) of revenue over expenditures	<u>(356,380)</u>	<u>(1,544,350)</u>	<u>560,293</u>	<u>2,104,643</u>
Other financing sources (uses)				
Operating transfers in			10,291	10,291
Total other financing sources (uses)			10,291	10,291
Net change in fund balances	(356,380)	(1,544,350)	570,584	2,114,934
Fund balances, beginning of year	<u>14,371,079</u>	<u>14,371,079</u>	<u>14,371,079</u>	
Fund balances, end of year	<u>\$14,014,699</u>	<u>\$12,826,729</u>	<u>\$14,941,663</u>	<u>\$2,114,934</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual (GAAP Basis)
Capital Projects Fund
For the Year Ended June 30, 2009

	Capital Projects Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
REVENUES				
Aid from other governmental agencies	\$ 4,004,000	\$ 4,004,000	\$ 62,610	\$(3,941,390)
Miscellaneous			97,966	97,966
Unrealized gain (loss) on investments			827	827
Total revenues	<u>4,004,000</u>	<u>4,004,000</u>	<u>161,403</u>	<u>(3,842,597)</u>
EXPENDITURES				
Capital outlay	<u>1,854,000</u>	<u>9,606,580</u>	<u>470,641</u>	<u>9,135,939</u>
Total expenditures	<u>1,854,000</u>	<u>9,606,580</u>	<u>470,641</u>	<u>9,135,939</u>
Excess (deficiency) of revenue over expenditures	<u>2,150,000</u>	<u>(5,602,580)</u>	<u>(309,238)</u>	<u>5,293,342</u>
Other financing sources (uses)				
Operating transfers in	1,908,460	1,908,460	13,000	(1,895,460)
Operating transfers out	<u>(205,610)</u>	<u>(205,610)</u>	<u>(137,655)</u>	<u>67,955</u>
Total other financing sources (uses)	<u>1,702,850</u>	<u>1,702,850</u>	<u>(124,655)</u>	<u>(1,827,505)</u>
Net change in fund balances	3,852,850	(3,899,730)	(433,893)	3,465,837
Fund balances, beginning of year	<u>11,099,443</u>	<u>11,099,443</u>	<u>11,099,443</u>	
Fund balances, end of year	<u>\$14,952,293</u>	<u>\$ 7,199,713</u>	<u>\$10,665,550</u>	<u>\$ 3,465,837</u>

SUPPLEMENTARY INFORMATION SECTION

CITY OF HANFORD
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2009

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
ASSETS			
Cash and investments	\$12,704,311	\$	\$12,704,311
Accounts receivable	1,089,030		1,089,030
Loan receivable	<u>1,125,605</u>	<u> </u>	<u>1,125,605</u>
Total assets	<u>\$14,918,946</u>	<u>\$</u>	<u>\$14,918,946</u>
LIABILITIES AND FUND BALANCES			
Due to other funds	\$ 295,281	\$	\$ 295,281
Accounts payable	<u>58,385</u>	<u> </u>	<u>58,385</u>
Total liabilities	<u>353,666</u>	<u> </u>	<u>353,666</u>
Fund balances			
Reserved	6,234,871		6,234,871
Unreserved	<u>8,330,409</u>	<u> </u>	<u>8,330,409</u>
Total fund balances	<u>14,565,280</u>	<u> </u>	<u>14,565,280</u>
Total liabilities and fund balances	<u>\$14,918,946</u>	<u>\$</u>	<u>\$14,918,946</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2009

	Total Non-Major Special Revenue Funds	Debt Service Fund	Total Non-Major Funds
REVENUES			
Taxes and special assessments	\$ 2,832,779	\$	\$ 2,832,779
Aid from other governmental agencies	1,575,301		1,575,301
Fines and forfeits	123,250		123,250
Revenues from use of money and property	267,314	6	267,320
Unrealized gain (loss) on investments	<u>1,826</u>	<u></u>	<u>1,826</u>
Total revenues	<u>4,800,470</u>	<u>6</u>	<u>4,800,476</u>
EXPENDITURES			
General government	46,002	3,510	49,512
Public works	326,595		326,595
Capital outlay	4,882,587		4,882,587
Debt service			
Principal		330,000	330,000
Interest	<u></u>	<u>48,817</u>	<u>48,817</u>
Total expenditures	<u>5,255,184</u>	<u>382,327</u>	<u>5,637,511</u>
Excess (deficiency) of revenues over expenditures	(454,714)	(382,321)	(837,035)
Other financing sources (uses)			
Other sources		254,727	254,727
Operating transfers in	10,428	127,364	137,792
Operating transfers out	<u>(175,430)</u>	<u></u>	<u>(175,430)</u>
Total other financing sources (uses)	<u>(165,002)</u>	<u>382,091</u>	<u>217,089</u>
Net change in fund balances	(619,716)	(230)	(619,946)
Fund balances, beginning of year	<u>15,184,996</u>	<u>230</u>	<u>15,185,226</u>
Fund balances, end of year	<u>\$14,565,280</u>	<u>\$</u>	<u>\$14,565,280</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2009

	Transportation Funds	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund
ASSETS					
Cash and investments	\$ 523,307	\$4,485,497	\$1,564,359	\$39,972	\$200,182
Accounts receivable	570,000	16,827	6,033		741
Loan receivable					111,726
Total assets	<u>\$1,093,307</u>	<u>\$4,502,324</u>	<u>\$1,570,392</u>	<u>\$39,972</u>	<u>\$312,649</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to other funds	\$	\$	\$	\$	\$
Accounts payable		7,326	2,285		
Total liabilities		<u>7,326</u>	<u>2,285</u>		
Fund balances					
Reserved	1,093,307	2,165,070	3,300		111,726
Unreserved		<u>2,329,928</u>	<u>1,564,807</u>	<u>39,972</u>	<u>200,923</u>
Total fund balances	<u>1,093,307</u>	<u>4,494,998</u>	<u>1,568,107</u>	<u>39,972</u>	<u>312,649</u>
Total liabilities and fund balances	<u>\$1,093,307</u>	<u>\$4,502,324</u>	<u>\$1,570,392</u>	<u>\$39,972</u>	<u>\$312,649</u>

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2009
(Continued)

	Landscaping Assessment District	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees	Special Aviation
ASSETS						
Cash and investments	\$572,387	\$ 954,700	\$101,627	\$373,774	\$1,057,274	\$ 1,200
Accounts receivable	8,290	3,691	373	1,401	3,920	293,183
Loan receivable		1,013,879				
Total assets	<u>\$580,677</u>	<u>\$1,972,270</u>	<u>\$102,000</u>	<u>\$375,175</u>	<u>\$1,061,194</u>	<u>\$294,383</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$	\$	\$	\$	\$	\$293,823
Accounts payable	<u>12,995</u>					<u>13,328</u>
Total liabilities	<u>12,995</u>					<u>307,151</u>
Fund balances						
Reserved		1,013,879		13,790		
Unreserved	<u>567,682</u>	<u>958,391</u>	<u>102,000</u>	<u>361,385</u>	<u>1,061,194</u>	<u>(12,768)</u>
Total fund balances	<u>567,682</u>	<u>1,972,270</u>	<u>102,000</u>	<u>375,175</u>	<u>1,061,194</u>	<u>(12,768)</u>
Total liabilities and fund balances	<u>\$580,677</u>	<u>\$1,972,270</u>	<u>\$102,000</u>	<u>\$375,175</u>	<u>\$1,061,194</u>	<u>\$294,383</u>

CITY OF HANFORD
Combining Balance Sheet
Non-Major Special Revenue Funds
June 30, 2009
(Continued)

	GWF Environment Oversight	Learning Center Operation	Traffic Safety	Street Tree Committee	State Gas Tax Fund	Totals
ASSETS						
Cash and investments	\$232,162	\$66,766	\$3,529	\$1,198	\$2,526,377	\$12,704,311
Accounts receivable	862		1,606		182,103	1,089,030
Loan receivable						1,125,605
Total assets	<u>\$233,024</u>	<u>\$66,766</u>	<u>\$5,135</u>	<u>\$1,198</u>	<u>\$2,708,480</u>	<u>\$14,918,946</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Due to other funds	\$	\$	\$1,458	\$	\$	\$ 295,281
Accounts payable		18,937	3,514			58,385
Total liabilities		<u>18,937</u>	<u>4,972</u>			<u>353,666</u>
Fund balances						
Reserved		47,829			1,785,970	6,234,871
Unreserved	<u>233,024</u>		<u>163</u>	<u>1,198</u>	<u>922,510</u>	<u>8,330,409</u>
Total fund balances	<u>233,024</u>	<u>47,829</u>	<u>163</u>	<u>1,198</u>	<u>2,708,480</u>	<u>14,565,280</u>
Total liabilities and fund balances	<u>\$233,024</u>	<u>\$66,766</u>	<u>\$5,135</u>	<u>\$1,198</u>	<u>\$2,708,480</u>	<u>\$14,918,946</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2009

	Transportation Funds	Transportation Impact Fees	Park Impact Fees	Parking Fund	Downtown Reinvestment Fund
REVENUES					
Taxes and special assessments	\$ 164,955	\$ 564,430	\$ 115,454	\$	\$
Aid from other governmental agencies	189,928				
Fines and forfeits					
Revenue from use					
of money and property	19,019	98,579	33,981	7,380	9,875
Unrealized gain (loss) on investments	(350)	2,625	252	(12)	(27)
Total revenues	<u>373,552</u>	<u>665,634</u>	<u>149,687</u>	<u>7,368</u>	<u>9,848</u>
EXPENDITURES					
General government					
Public works					
Capital outlay	<u>215,014</u>	<u>1,920,111</u>	<u>233,028</u>		
Total expenditures	<u>215,014</u>	<u>1,920,111</u>	<u>233,028</u>		
Excess (deficiency) of revenue over expenditures	<u>158,538</u>	<u>(1,254,477)</u>	<u>(83,341)</u>	<u>7,368</u>	<u>9,848</u>
Other financing sources (uses)					
Operating transfers in					
Operating transfers out	<u>(21,927)</u>				
Total other financing sources (uses)	<u>(21,927)</u>				
Net change in fund balances	136,611	(1,254,477)	(83,341)	7,368	9,848
Fund balances, beginning of year	<u>956,696</u>	<u>5,749,475</u>	<u>1,651,448</u>	<u>32,604</u>	<u>302,801</u>
Fund balances end of year	<u>\$1,093,307</u>	<u>\$4,494,998</u>	<u>\$1,568,107</u>	<u>\$39,972</u>	<u>\$312,649</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2009
(Continued)

	Landscaping Assessment District	City Housing Fund	Central Parking and Business Improvement	Fire Protection Impact Fees	Police Protection Impact Fees	Special Aviation
REVENUES						
Taxes and special assessments	\$349,058	\$	\$106,523	\$ 18,451	\$ 28,474	\$
Aid from other governmental agencies						1,179,684
Fines and forfeits						
Revenue from use of money and property		22,535	1,965	9,152	21,436	
Unrealized gain (loss) on investments	(12)	(119)	2	174	(18)	614
Total revenues	<u>349,046</u>	<u>22,416</u>	<u>108,490</u>	<u>27,777</u>	<u>49,892</u>	<u>1,180,298</u>
EXPENDITURES						
General government		44,564				
Public works	322,595					
Capital outlay		5,000	106,000	110,612		1,209,688
Total expenditures	<u>322,595</u>	<u>49,564</u>	<u>106,000</u>	<u>110,612</u>		<u>1,209,688</u>
Excess (deficiency) of revenue over expenditures	<u>26,451</u>	<u>(27,148)</u>	<u>2,490</u>	<u>(82,835)</u>	<u>49,892</u>	<u>(29,390)</u>
Other financing sources (uses)						
Operating transfers in						(30,253)
Operating transfers out						(30,253)
Total other financing sources (uses)						
Net change in fund balances	<u>26,451</u>	<u>(27,148)</u>	<u>2,490</u>	<u>(82,835)</u>	<u>49,892</u>	<u>(59,643)</u>
Fund balances, beginning of year	<u>541,231</u>	<u>1,999,418</u>	<u>99,510</u>	<u>458,010</u>	<u>1,011,302</u>	<u>46,875</u>
Fund balances end of year	<u>\$567,682</u>	<u>\$1,972,270</u>	<u>\$102,000</u>	<u>\$375,175</u>	<u>\$1,061,194</u>	<u>\$ (12,768)</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended June 30, 2009
(Continued)

	GWF Environment Oversight	Learning Center Operation	Traffic Safety	Street Tree Committee	State Gas Tax Fund	Totals
REVENUES						
Taxes and special assessments	\$	\$	\$	\$	\$1,485,434	\$ 2,832,779
Aid from other governmental agencies		205,689				1,575,301
Fines and forfeits			123,250			123,250
Revenue from use of money and property	4,778	218			38,396	267,314
Unrealized gain (loss) on investments	<u>12</u>	<u>(91)</u>	<u>331</u>		<u>(1,555)</u>	<u>1,826</u>
Total revenues	<u>4,790</u>	<u>205,816</u>	<u>123,581</u>		<u>1,522,275</u>	<u>4,800,470</u>
EXPENDITURES						
General government	38	1,400				46,002
Public works	4,000					326,595
Capital outlay		<u>170,222</u>			<u>912,912</u>	<u>4,882,587</u>
Total expenditures	<u>4,038</u>	<u>171,622</u>			<u>912,912</u>	<u>5,255,184</u>
Excess (deficiency) of revenue over expenditures	<u>752</u>	<u>34,194</u>	<u>123,581</u>		<u>609,363</u>	<u>(454,714)</u>
Other financing sources (uses)						
Operating transfers in					10,428	10,428
Operating transfers out			<u>(123,250)</u>			<u>(175,430)</u>
Total other financing sources (uses)			<u>(123,250)</u>		<u>10,428</u>	<u>(165,002)</u>
Net change in fund balances	<u>752</u>	<u>34,194</u>	<u>331</u>		<u>619,791</u>	<u>(619,716)</u>
Fund balances, beginning of year	<u>232,272</u>	<u>13,635</u>	<u>(168)</u>	<u>1,198</u>	<u>2,088,689</u>	<u>15,184,996</u>
Fund balances end of year	<u>\$233,024</u>	<u>\$ 47,829</u>	<u>\$ 163</u>	<u>\$1,198</u>	<u>\$2,708,480</u>	<u>\$14,565,280</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund	Building Fund
ASSETS				
Current assets				
Cash and investments	\$37,439	\$3,486,178	\$1,132,933	\$896,079
Receivables, net				
Due from other funds				
Inventory				
Total current assets	<u>37,439</u>	<u>3,486,178</u>	<u>1,132,933</u>	<u>896,079</u>
Capital assets				
Machinery and equipment				12,341
Accumulated depreciation				<u>(11,774)</u>
Capital assets, net				<u>567</u>
Total assets	<u>\$37,439</u>	<u>\$3,486,178</u>	<u>\$1,132,933</u>	<u>\$896,646</u>
LIABILITIES				
Accounts payable	\$15,966	\$ 76,041	\$ 12,254	\$ 14,094
Salaries and benefits payable	21,450			30,704
Due to other funds				
Total liabilities	<u>37,416</u>	<u>76,041</u>	<u>12,254</u>	<u>44,798</u>
NET ASSETS				
Investment in capital assets, net of related debt				567
Unrestricted	<u>23</u>	<u>3,410,137</u>	<u>1,120,679</u>	<u>851,281</u>
Total net assets	<u>23</u>	<u>3,410,137</u>	<u>1,120,679</u>	<u>851,848</u>
Total liabilities and net assets	<u>\$37,439</u>	<u>\$3,486,178</u>	<u>\$1,132,933</u>	<u>\$896,646</u>

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Net Assets
Internal Service Funds
June 30, 2009
(Continued)

	Central Stores Fund	Fleet Maintenance Fund	Totals
ASSETS			
Current assets			
Cash and investments	\$ 4	\$ 9,163,838	\$14,716,471
Receivables, net		33,075	33,075
Due from other funds		1,209	1,209
Inventory	<u>2,297</u>	<u>104,582</u>	<u>106,879</u>
Total current assets	<u>2,301</u>	<u>9,302,704</u>	<u>14,857,634</u>
Capital assets			
Machinery and equipment		14,436,024	14,448,365
Accumulated depreciation		<u>(8,346,097)</u>	<u>(8,357,871)</u>
Capital assets, net		<u>6,089,927</u>	<u>6,090,494</u>
Total assets	<u>\$2,301</u>	<u>\$15,392,631</u>	<u>\$20,948,128</u>
LIABILITIES			
Accounts payable	\$	\$ 56,742	\$ 175,097
Salaries and benefits payable		41,293	93,447
Due to other funds	<u>1,209</u>		<u>1,209</u>
Total liabilities	<u>1,209</u>	<u>98,035</u>	<u>269,753</u>
NET ASSETS			
Investment in capital assets, net of related debt		6,089,927	6,090,494
Unrestricted	<u>1,092</u>	<u>9,204,669</u>	<u>14,587,881</u>
Total net assets	<u>1,092</u>	<u>15,294,596</u>	<u>20,678,375</u>
Total liabilities and net assets	<u>\$2,301</u>	<u>\$15,392,631</u>	<u>\$20,948,128</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
and Changes in Net Assets
Internal Service funds
For the Year Ended June 30, 2009

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund	Building Fund
REVENUES				
Charges for services	\$	<u>\$1,164,387</u>	<u>\$ 277,040</u>	<u>\$746,998</u>
EXPENDITURES				
Personnel services				357,059
Services and supplies		1,043,629	180,353	268,721
Depreciation				<u>568</u>
Total expenditures		<u>1,043,629</u>	<u>180,353</u>	<u>626,348</u>
Excess of revenues over expenditures		<u>120,758</u>	<u>96,687</u>	<u>120,650</u>
Non-operating revenues (expenses)				
Gain (loss) on sale of assets				
Interest income				
Unrealized gain (loss) on investments	110	(84)	(98)	(288)
Miscellaneous		<u>82,775</u>		
Total non-operating revenue (expenses)	<u>110</u>	<u>82,691</u>	<u>(98)</u>	<u>(288)</u>
Income before contributions and transfers	<u>110</u>	<u>203,449</u>	<u>96,589</u>	<u>120,362</u>
Capital contributions				
Operating transfers				
Change in net assets	110	203,449	96,589	120,362
Net assets, beginning of year	<u>(87)</u>	<u>3,206,688</u>	<u>1,024,090</u>	<u>731,486</u>
Net assets, end of year	<u>\$ 23</u>	<u>\$3,410,137</u>	<u>\$1,120,679</u>	<u>\$851,848</u>

CITY OF HANFORD
Combining Statement of Revenues, Expenses,
And Changes in Net Assets
Internal Service Funds
For the Year Ended June 30, 2009
(Continued)

	Central Stores Fund	Fleet Management Fund	Totals
REVENUES			
Charges for services	<u>\$ 315</u>	<u>\$ 3,517,450</u>	<u>\$ 5,706,190</u>
EXPENDITURES			
Personnel services		467,599	824,658
Services and supplies	219	915,409	2,408,331
Depreciation	<u> </u>	<u>960,722</u>	<u>961,290</u>
Total expenditures	<u>219</u>	<u>2,343,730</u>	<u>4,194,279</u>
Excess of revenues over expenditures	<u>96</u>	<u>1,173,720</u>	<u>1,511,911</u>
Non-operating revenues (expenses)			
Gain (loss) on sale of assets		462	462
Interest income		178,553	178,553
Unrealized gain (loss) on investments		(1,286)	(1,646)
Miscellaneous	<u> </u>	<u>7,068</u>	<u>89,843</u>
Total non-operating revenue (expenses)	<u> </u>	<u>184,797</u>	<u>267,212</u>
Income before contributions and transfers	<u>96</u>	<u>1,358,517</u>	<u>1,779,123</u>
Capital contributions		300,010	300,010
Operating transfers	<u> </u>	<u>135,111</u>	<u>135,111</u>
Change in net assets	96	1,793,638	2,214,244
Net assets, beginning of year	<u>996</u>	<u>13,500,958</u>	<u>18,464,131</u>
Net assets, end of year	<u>\$1,092</u>	<u>\$15,294,596</u>	<u>\$20,678,375</u>

CITY OF HANFORD
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009

	City Payroll Fund	Risk Management Fund	Computer Maintenance Fund	Building Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for current services	\$	\$ 1,164,387	\$ 277,040	\$ 746,998
Cash paid for services and supplies	9,856	(1,059,179)	(176,897)	(271,159)
Cash paid for salaries and benefits	(69,538)			(357,598)
Net cash provided by (used for) operating activities	(59,682)	105,208	100,143	118,241
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Loans (to) from other funds				7,930
Transfer from other funds				
Net cash provided by noncapital financing activities				7,930
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Capital expenditures				
Proceeds from sale of equipment				
Net cash provided by capital and related financing activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Unrealized gain (loss) on investments	110	(84)	(98)	(288)
Other non-operating revenue (expense)		82,775		
Interest received				
Net cash provided by investing activities	110	82,691	(98)	(288)
Net increase (decrease) in cash and cash equivalents	(59,572)	187,899	100,045	125,883
Cash and cash equivalents, beginning of year	97,011	3,298,279	1,032,888	770,196
Cash and cash equivalents, end of year	\$ 37,439	\$ 3,486,178	\$ 1,132,933	\$ 896,079
Reconciliation of operating income to net cash provided by (used for) operating activities:				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income/(loss)	\$	\$ 120,758	\$ 96,687	\$ 120,650
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation and amortization				568
(Increase) decrease in net assets:				
Accounts receivable				
Inventory				
Increase (decrease) in net liabilities:				
Accounts payable	9,856	(15,550)	3,456	(2,438)
Salaries and benefits payable	(69,538)			(539)
Cash flows from operating activities	\$(59,682)	\$ 105,208	\$ 100,143	\$ 118,241
Noncash investing, capital, and financing activities				
Contributions of capital assets				

See independent auditors' report and notes to financial statements.

CITY OF HANFORD
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2009
(Continued)

	Central Stores Fund	Fleet Maintenance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for current services	\$ 315	\$ 3,527,373	\$ 5,716,113
Cash paid for services and supplies	(226)	(945,213)	(2,442,818)
Cash paid for salaries and benefits	<u> </u>	<u>(461,379)</u>	<u>(888,515)</u>
Net cash provided by (used for) operating activities	89	2,120,781	2,384,780
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Loans (to) from other funds	(85)	15,691	23,536
Transfers from other funds	<u> </u>	<u>135,111</u>	<u>135,111</u>
Net cash provided by noncapital financing activities	<u>(85)</u>	<u>150,802</u>	<u>158,647</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Capital expenditures	<u> </u>	(1,422,217)	(1,422,217)
Proceeds from sale of equipment	<u> </u>	<u>27,242</u>	<u>27,242</u>
Net cash provided by capital and related financing activities	<u> </u>	<u>(1,394,975)</u>	<u>(1,394,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Unrealized gain (loss) on investments	<u> </u>	(1,286)	(1,646)
Other non-operating revenue (expense)	<u> </u>	7,068	89,843
Interest received	<u> </u>	<u>178,553</u>	<u>178,553</u>
Net cash provided by investing activities	<u> </u>	<u>184,335</u>	<u>266,750</u>
Net increase (decrease) in cash and cash equivalents	4	1,060,943	1,415,202
Cash and cash equivalents, beginning of year	<u> </u>	<u>8,102,895</u>	<u>13,301,269</u>
Cash and cash equivalents, end of year	<u>\$ 4</u>	<u>\$ 9,163,838</u>	<u>\$14,716,471</u>
Reconciliation of operating income to net cash provided by (used for) operating activities:			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income/(loss)	\$ 96	\$ 1,173,720	\$ 1,511,911
Adjustments to reconcile operating income (loss) to cash flows from operating activities:			
Depreciation and amortization	<u> </u>	960,722	961,290
(Increase) decrease in net assets:			
Accounts receivable	<u> </u>	9,923	9,923
Inventory	<u> </u>	29,099	29,099
Increase (decrease) in net liabilities:			
Accounts payable	(7)	(58,903)	(63,586)
Salaries and benefits payable	<u> </u>	<u>6,220</u>	<u>(63,857)</u>
Cash flows from operating activities	<u>\$ 89</u>	<u>\$ 2,120,781</u>	<u>\$ 2,384,780</u>
Noncash investing, capital, and financing activities			
Contributions of capital assets	<u> </u>	<u>\$ 300,010</u>	<u>\$ 300,010</u>

See independent auditors' report and notes to financial statements.

SINGLE AUDIT REPORTS



Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

February 8, 2010

The Honorable Mayor and Members of the City Council
City of Hanford
Hanford, California

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hanford as of and for the year ended June 30, 2009 which collectively comprise the City of Hanford's basic financial statements and have issued our report thereon dated February 8, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hanford's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hanford's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the City in a separate letter dated February 8, 2010.

City of Hanford
February 8, 2010
Page 2

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hanford's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sampson, Sampson and Partners, LLP



Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

February 8, 2010

The Honorable Mayor and Members of the City Council
City of Hanford
Hanford, California

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the City of Hanford with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Hanford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Hanford's management. Our responsibility is to express an opinion on the City of Hanford's compliance based on our audits.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations."* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hanford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hanford's compliance with those requirements.

In our opinion, the City of Hanford Complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City of Hanford is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hanford's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hanford's internal control over compliance.

City of Hanford

February 8, 2010

Page 2

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal controls over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information of the City Council, management, and office of applicable federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sampson, Sampson and Partners, LLP

CITY OF HANFORD
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Catalog Number	Pass-Through Grantors Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Passed through State Office of Homeland Security			
Homeland Security	97.004	2007-0008-031-0000	\$ 323,559
Homeland Security	97.004	2008-0006-031-0000	87,289
Direct Program			
Assistance to Firefighters	97.044	N/A	<u>87,924</u>
Total U.S. Department of Homeland Security			<u>498,772</u>
<u>U.S. Department of Transportation</u>			
Federal Aviation Administration			
Airport Improvement	20.106	3-06-0098	1,191,394
Federal Highway Administration			
Passed through California Office of Traffic Safety			
Highway Planning & Construction	20.205	CML-5091	204,474
National Highway Safety Programs	20.601	07SAL0832	<u>33,430</u>
Total U.S. Department of Transportation			<u>1,429,298</u>
<u>U.S. Department of Housing and Urban Development</u>			
Office of Community Planning and Development			
CDBG/Entitlement Grants (A)	14.218	B-07-MC-06-0061	115,326
CDBG/Entitlement Grants (A)	14.218	B-08-MC-06-0061	485,661
Home-Investment Partnership Program	14.239	07-HOME-3419	258,500
Home-Investment Partnership Program	14.239	04-HOME-0725	14,000
Home-Investment Partnership Program	14.239	08-HOME-4700	<u>433,843</u>
Total U.S. Department of Housing and Urban Development			<u>1,307,330</u>
<u>U.S. Department of Commerce</u>			
Public Works and Economic Development Facility Program	11.300	07-01-05974	<u>944,463</u>
Total U.S. Department of Commerce			<u>944,463</u>
Total Expenditures of Federal Awards			<u>\$4,179,863</u>

See accompanying notes to schedule of expenditures of federal awards.

CITY OF HANFORD
Notes to Schedule of Expenditures of Federal Awards
June 30, 2009

1. Summary of Significant Accounting Policies:

Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the awards transactions of the City recorded in the governmental and proprietary fund types.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The accrual basis of accounting is utilized by proprietary funds. Under this method revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California are included in the Schedule.

The Schedule was presented only from the accounts of various grant programs and, therefore, does not present the financial position or results of operations of the City.

FINDINGS AND QUESTIONED COSTS

CITY OF HANFORD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2009

Part I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		<u>Unqualified</u>		
Internal control over financial reporting:				
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____	No	
Significant deficiency(s) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> _____	No	
Noncompliance material to financial statements notes?	_____ Yes	_____ <u>X</u> _____	No	

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> _____	No	
Significant deficiency(s) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> _____	No	
Type of auditors' report issued on compliance for major programs:				

		<u>Unqualified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510 (a))?	_____ Yes	_____ <u>X</u> _____	No	

Programs Subjected to Audit Procedures as Major Programs

	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u>300,000</u>
Auditee qualified as low-risk auditee?	_____ <u>X</u> _____ Yes _____ No

CITY OF HANFORD
Schedule of Findings and Recommendations
For the Fiscal Year Ended June 30, 2009

Part II - Financial Statement Finding Section

Significant Deficiencies, Material Weaknesses and Instances of Noncompliance Related to the Financial Statements:

None.

Part III - Federal Award Findings and Questioned Costs Section

Significant Deficiencies, Material Weaknesses and Instances of Noncompliance Related to the Audit of Major Federal Programs:

None.

CITY OF HANFORD
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

There were no reportable audit findings in the prior fiscal year ended June 30, 2008.

APPRORIATIONS LIMIT REPORT



Sampson, Sampson and Partners, LLP
Certified Public Accountants

3148 Willow Ave., Suite 102
Clovis, California 93612-4739
(559) 291-0277 • FAX (559) 291-6411

February 8, 2010

The Honorable City Council
City of Hanford
Hanford, California

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH ARTICLE XIII B – APPROPRIATIONS LIMIT

We have applied the procedures enumerated below to the accompanying appropriations limit of the City of Hanford for the year ended June 30, 2009. These procedures, which were agreed to by the League of California Cities and presented in their Article XIII B Appropriations Limitation Uniform Guidelines, were performed solely to assist you in meeting the requirement of Section 1.5 of Article XIII B of the California Constitution. This report is intended for the information of management and the City Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

The procedures performed and our findings were as follows:

1. We obtained computations from the City of Hanford and determined that the limit and annual adjustment factors were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.
2. For the accompanying Appropriations Limit, we added last year's limit to total adjustments, and agreed the resulting amount of this year's limit.
3. We agreed the current year information presented in the accompanying Appropriations Limit to the other computations described above.
4. We agreed the prior year Appropriations Limit presented in the accompanying Appropriations Limit to the Prior year Appropriations Limit adopted by the City Council during the prior year.

These agreed upon procedures are substantially less in scope than an audit, the objective of which is the expression of an opinion on the accompanying Appropriations Limit. Accordingly, we do not express such an opinion.

Based on the application of the procedures referred to above, nothing came to our attention that caused us to believe that the accompanying Appropriations Limit was not computed in accordance with Article XIII B of the California Constitution. Had we performed additional procedures or had we made an audit of the accompanying Appropriations Limit and the other completed worksheets described above, matters might have come to our attention that would have been reported to you.

Sampson, Sampson and Partners, LLP

CITY OF HANFORD
Appropriations Limit
Schedules A and B
June 30, 2009

Schedule A	Fiscal Year 2008-2009	Amount
A. Last Years Limit – 2008		\$41,910,751
B. Add: Adjustment for Annexation Service Deliver Charge		<u>991</u>
Subtotal		<u>41,911,742</u>
Apply ratio of Change Factor (Schedule B)		1.0740
C. Appropriations Limit – Fiscal Year 2008-2009		<u>\$45,013,211</u>

Schedule B	Worksheet for Permitted Growth in Appropriations Limit 2007-2008	
Kings County Population Change	(1)	2.98%
Converted to a Ratio		1.0298
California Per Capita Income Change	(1)	4.29%
Converted to a Ratio		1.0429
Calculation of Factor for 2008-2009		1.0298 x 1.0429
Ratio of Change Factor		1.0740

(1) Provided by the California State Department of Finance